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TODAY: SPORTS Ryder Cup battles begin

World Mourns the 'People's Princess'



Diana on a trip to Africa earlier this year.

Charles Takes Diana's Body Home From Paris

By Tom Buerkle
International Herald Tribune

LONDON — The body of Diana, Princess of Wales, was brought back to Britain on Sunday by Prince Charles, and Prime Minister Tony Blair expressed a nation's grief over the loss of "the people's princess" after her storybook life ended tragically when a car she was riding in crashed at very high speed in a Paris tunnel.

The death provoked an outpouring of emotion here and around the world that underscored Diana's claim to the self-styled title "queen of peoples' hearts," a role she sought to carve out for herself through charity work over many years and intensified after her divorce a year ago from Charles, the heir to the British throne.

Thousands of people, many in tears, gathered outside Diana's Kensington Palace home here and at nearby Buckingham Palace, leaving mountains of flowers, while world figures from President Bill Clinton to Mother Theresa paid tribute to her compassion and humanitarian work, most recently on behalf of efforts to ban land mines.

"I feel like everyone else in this country today, utterly devastated," Mr. Blair said before entering church services in his Sedgefield constituency. "She was the people's princess, and that's how she will stay, how she will remain, in our hearts and in our memories forever." President Nelson Mandela, who played host to Diana on her recent visit to South Africa, remembered her as "undoubtedly one of the best ambassadors of Great Britain."

President Jacques Chirac accorded Diana full military honors from the Republican Guard at the Paris hospital where she died, and then accompanied Charles to a military airport outside Paris on Sunday evening.

"She was a young woman of our time, warm, full of life and generosity," Mr. Chirac said. Diana's body arrived at the Royal Air Force base in Northolt, where it was met by Mr. Blair and an air force honor guard. The body was taken by hearse to a private London mortuary.

The accident occurred very early Sunday as Diana and her companion, Dodi al Fayed, who was also killed along with the driver, were seeking to elude or outrun a pack of photographers on motorcycles.

The tragedy unleashed a wave of criticism of Britain's press and the armies of paparazzi who supply the newspapers and celebrity magazines around the world with pictures. Their attention over the past 17 years made Diana arguably the most photographed and recognizable person in the world, but in the end they appeared to literally hound her to her death.

Diana's brother, Earl Charles Spencer, spoke bitterly from his home in Cape Town, South Africa. "It would appear that every proprietor and editor of every publication that has paid for intrusive and exploitative photographs of her, encouraging greedy and ruthless individuals to risk everything in pursuit of Diana's image, has blood on his hands today," he said.

Foreign Secretary Robin Cook, who spoke during a visit to the Philippines, said that "serious questions will need to be asked if the aggressive intrusion into her privacy has contributed to this tragedy." Other politicians were more hesitant, however, noting that the previous Conservative government had failed in its at-

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Charles leaving church after news of Diana's death.

The Royal Superstar

Her Death Is Less a Morality Play Than a Modernized Greek Tragedy

By Suzy Menkes
International Herald Tribune

LONDON — From the single flower laid beside palace walls to the grand tributes from world leaders, the heartfelt reaction to the death of Diana, Princess of Wales, comes from society's emotional gut.

The outpouring of grief is a mixture of shock at the sudden tragedy, anger at the waste of a young life, compassion for private family anguish and sadness for public loss. And, mixed in with that, the numbing guilt that we, with our voracious appetite for ownership of the "People's Princess," are somehow implicated in her end. All these emotions will be translated into concrete action in the following weeks and months: the funeral and public mourning; a desire to protect the motherless princes; an urge to give continuing support to the princess's issues and causes, and a debate about unacceptable intrusion into the private lives of public figures.

But the death of the Princess Superstar, apparently on the cusp of an emotional tranquillity that had thus far eluded her, has a deeper resonance. It offers neither a fairy tale with an unhappy ending nor a morality play with obvious heroes and villains, but rather a Greek tragedy rescripted for modern times.

The princess had long since passed from being part of the royal pageant — its scintillating and its darker side — to reach iconic status. She was up there with the figures that the world knows on first-name terms: Elvis, Jackie or Marilyn, who, like Diana, was 36 years old when the reality of her life was enshrined in myth.

In her transformation from the traditionally passive and pretty princess to active world figure, Diana had also become symbolic of the power of modern woman to steer her destiny.

While men often (openly or privately) sympathized with Prince Charles when the princess went public about her rotten

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Pierre Bessard/Agence France-Presse

The wreckage of the car in which Diana and Dodi al Fayed were riding before the fatal crash in a Paris tunnel.

- Diana's tragic death ended the life of a shy society girl who became one of the most glamorous and loved women in the world. Page 2.
- Criticized by the British press, Dodi al Fayed was seen by friends as a gentle and decent man who cheered just about everyone he met. Page 2.
- "I always believed that the press would kill her in the end," Princess Diana's brother, Earl Spencer, told reporters in South Africa. Page 3.

High-Speed Chase

French Police Open an Investigation Into Role of Photographers in Pursuit

By Craig R. Whitney
New York Times Service

PARIS — French police opened a criminal investigation Sunday to determine whether a chase by seven motorcycle-riding freelance photographers was responsible for the car crash in an expressway tunnel along the Seine that killed Diana, the Princess of Wales, and Emad Mohamed (Dodi) al Fayed, her companion.

Sunday evening, Prince Charles, the heir to the British throne and Diana's husband until their divorce a year ago, flew in from Scotland and sadly accepted her remains, in a plain wooden coffin, from President Jacques Chirac at Pitie-Salpetriere hospital.

With Diana's two sisters, Lady Jane Fellowes and Lady Sarah McCorquodale, Charles then flew back to a shocked and grieving Britain with the body.

Mr. al Fayed, 41, who had been linked romantically with Diana for several months, died instantly at 12:35 A.M. French police said, when the powerful black Mercedes 600 sedan in which they were riding from dinner at the Ritz Hotel to an apartment in the fashionable 16th Arrondissement was reduced by the crash to a compressed mass of shattered glass and twisted metal.

The driver, an employee of the hotel, which is owned by Mr. al Fayed's father, Mohamed, the Egyptian-born owner of the Ritz as well as of Harrods department store in London, was also killed. Diana's bodyguard, identified by French hospital officials as Trevor Rees-Jones, was injured but not in critical condition.

The senior Mr. al Fayed identified his son's body at the main Paris morgue this morning and would take the remains to Britain for burial, a spokesman in London said.

Diana, who suffered a crushed chest and head injuries, died of cardiac arrest at the hospital, where ambulance workers rushed her after prying her body loose from the wreckage.

Surgeons opened her chest and found massive internal bleeding from her heart arteries, but were unable to restore circulation

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Will Asia's Tigers Roar Again Soon?

Fundamentals Argue for a Rebound Even Without Western Investors

By Sheryl WuDunn
New York Times Service

TOKYO — Once upon a time, Asian stock markets were the hottest in the world, sizzling like oil in a wok.

An investment strategist could sound like a visionary simply by murmuring, "In Asia..." Asian families sometimes moved in one generation from an ox cart to a Mercedes-Benz, from peasants to billionaires. Eight of the world's 10 most expensive cities were in Asia. The number of Asian companies, excluding Japan, listed on the New York Stock Exchange went to 30 this year from 2 in 1988, and American money in Asian funds ballooned eighteen-fold in five years.

Then the wok spilled, and many investors got burned. The crisis began in Thailand this spring and has spread throughout Southeast Asia, felling currencies and markets alike.

Just last week, Malaysia curbed the selling of stocks, setting off a region-wide market convulsion that sent the benchmark Philippine market index tumbling 9 percent Thursday — its biggest one-day fall in a decade — and the Hong Kong index cascading nearly 5 percent Friday.

Now, the Thai market has lost 70 percent of its value from its peak in 1994, and some analysts are worrying aloud about how secure the foundation is under the Asian miracle, under all those new skyscrapers built in the last couple of decades.

In short, has the Asian boom fizzled?

In the long run, the miracle is probably intact. But for a while, "it's sort of a brave new world," said Pauline Gately, a strategist for Asian stocks at BZW Securities Inc. in Hong Kong. "The closet is open and the skeletons are beginning to come out."

To be sure, in China, Hong Kong and Taiwan the economies are still galloping. But for Southeast Asia, and even South Korea, the outlook is the bleakest it has been in years. Once-barreling economies are tripping up, and the region has entered a new era of currency volatility.

The Malaysian ringgit, the Thai baht, the Philippine peso and the Indonesian rupiah are among the currencies that have depreciated recently.

More disturbing, Asian countries can see by looking at Japan that there is nothing inevitable about maintaining dizzying growth rates. Tokyo has shown that economies can hit the wall like marathon runners. Despite assertions for years that the Japanese recovery is just around the corner, it remains there still.

While investors who have seen their holdings plunge may not find their spirits so resilient, most corporate executives and economists here are unruffled. There may have been some concern in the financial community, but no one has rushed out to buy up rice, as the Hong Kong Chinese did in 1983 when the Hong Kong dollar plummeted.

Instead, analysts emphasize that the economic troubles are a natural consequence of the surge and bring with them important advantages.

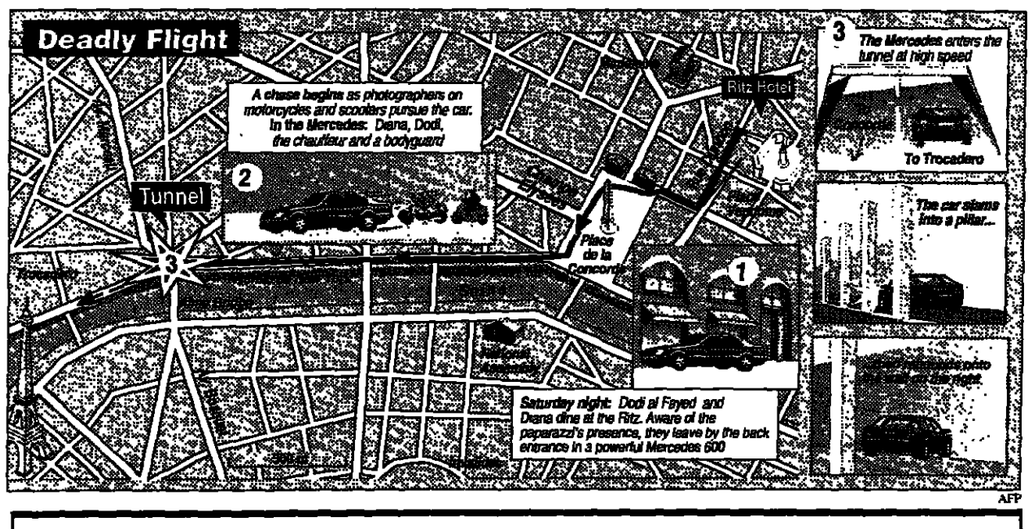
"It's an Asian syndrome," said Ian Lui, managing director at Indosuez Asset Management (Singapore) Ltd. "It's like someone who has been running too fast. They have to collapse and take a rest."

William Belchere, head of currency

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Malaysia Turns 40

Malaysians celebrated 40 years of independence Sunday with fireworks and a parade featuring thousands in a colorful parade. In a speech marking the anniversary, Prime Minister Mahathir bin Mohamad suggested that speculators were ready to destroy the economy's foundations following the precipitous decline in the country's stock market and currency. Page 6.



AFP

AGENDA

Algerian Dissident Asks for UN 'Dialogue'

ALGIERS (AP) — The founder of the Islamic Salvation Front, Abassi Madani, has urged the United Nations to "open a serious dialogue" to end the five-and-a-half-year insurgency. He said that he was "ready to launch an appeal to bring an immediate end to the bloodbath."

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The IHT on-line www.iht.com

Cairo Convicts Three Israeli Arabs and an Egyptian as Spies

By John Lancaster
Washington Post Service

JERUSALEM — An Egyptian court convicted an Israeli Arab on Sunday of espionage charges and sentenced him to 15 years at hard labor, stirring outrage in Israel and dealing another blow to the already shaky relationship between Israel and one of its most important Arab negotiating partners.

Azam Azam, 34, was convicted on charges that he had tried to recruit an Egyptian co-worker at an Israeli-owned textile plant in Cairo to collect information on Egypt's economy for Israel's intelligence service, the Mossad.

Key evidence in the case consisted of women's lingerie that Egyptian prosecutors said had been soaked in invisible ink for use in transmitting the data.

Though the charges widely believed in Egypt, where public opinion remains fervently anti-Israel despite the 18 years of formal peace between the two countries, they were ridiculed by Israeli officials, who denounced the case as a political show trial.

Prime Minister Benjamin Netanyahu denounced the conviction of Mr. Azam as "an outrage" and telephoned President Hosni Mubarak to ask for a pardon.

Egyptian officials previously have said that Mr. Mubarak would not get involved in the case until the judicial process had run its course.

The State Security Court also convicted Mr. Azam's alleged Egyptian accomplice, Emad Abdel Hamid Ismail, and sentenced him to life in prison.

Two Israeli Arab women — Zahra Youssef Greiss and Mona Ahmed Shawahna — both of whom were tried in absentia, received life sentences for their purported role in the plot.

The case comes at a time when relations between Israel and Egypt already are at one of their lowest points since the two countries signed a peace treaty in 1979.

Even before last year's election of hard-line Prime Minister Netanyahu,

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New IHT Print Site

The International Herald Tribune added its 14th worldwide printing site Sunday as it began printing in Israel in a joint venture with the Israeli daily newspaper Ha'aretz. The paper includes the entire edition of the Herald Tribune plus a daily, four-page section in English that includes local news, opinion and entertainment listings. Page 11.

Newsstand Prices

Andorra	10.00 FF	Lebanon	LL 3,000
Antilles	12.50 FF	Morocco	16 Dh
Cameroon	1,600 CFA	Qatar	10.00 QR
Egypt	£E 5.50	Réunion	12.50 FF
France	10.00 FF	Saudi Arabia	10 SR
Gabon	1,100 CFA	Senegal	1,100 CFA
Italy	2,800 Lire	Spain	225 Ptas
Ivory Coast	1,250 CFA	Tunisia	1,250 Din
Jordan	1,250 JD	U.A.E.	10.00 Dh
Kuwait	700 Fils	U.S. Mil (Eur.)	$1.20

Diana: From Timid Teen To Glamour Princess

By Warren Hoge
New York Times Service

LONDON — The death at 36 of Diana, Princess of Wales, in a car crash in Paris on Sunday brought to a tragically premature close to the life of someone who had gone from being a shy young society girl to one of the world's most glamorous and attention-getting women.

Her marriage to Prince Charles, heir to the British throne and 12 years her senior, on July 29, 1981, was one of those events that people recall as a marker in their own lives, a moment of old-fashioned sentiment and royal splendor seldom seen in this century. An estimated 1 billion people around the world watched the ceremony, a glittery occasion that fully merited use of the overemployed words "fairy-tale romance."

The unraveling of that marriage was just as public, marked by a series of confessional episodes that were as tawdry and tasteless as the circumstances of the joining of their hands at St. Paul's Cathedral had been grand and timeless.

From the prince came admissions of adultery and embarrassing tape-recorded endearments to his mistress, Camilla Parker Bowles.

From Diana came accounts of her descent into eating disorders, self-mutilation and suicide attempts and retaliatory adulteries with men ill-chosen for discretion.

Though the marriage ended officially with their divorce a year ago Aug. 28, the rivalry for public approval continued until her death.

This year, Diana had made trips to Angola and Bosnia in a high-profile campaign against land mines, and in recent weeks she had posed while on a Mediterranean vacation with her friend, Emad Mohamed Fayed, known as Dodi, in an apparent effort to show the world that the once-troubled young woman had found personal happiness.

Prince Charles, for his part, held the first photo calls at the royal family's vacation home in Balmoral since the early days of his marriage, making a soigné appearance in kilt and tattersall shirt.

At his side were the couple's two sons, Willliam, 15, next in line for the monarch after his father, and Harry, 12.

It was a competition conducted by photo opportunity, and in Diana's case an attempt to turn to her advantage an irritant that she often complained about, the obsessive involvement of the tabloid press with her every move that seems to have played a role in her death.

After years of loneliness and feelings of rejection, Diana struck friends this year as having acquired a long sought self-regard and hope for the future.

In May, Lord Attenborough, the actor and director, said: "Once she was a shy young woman who was suddenly thrown into a bear pit. Now you see her confidence, self-assurance and outgoing nature."

Diana Spencer was born July 1, 1961, in Sandringham, Norfolk, daughter of the 8th Earl of Spencer, and she was brought up on the family estate, Althorp, in Northamptonshire.

Although she was called a "commoner" right before her marriage, she was a member of an old English family with numbers of dukes in its past, and she gained a sizable financial inheritance while still in her teens.

The product herself of a broken marriage, she became a retiring girl, so quiet as to accept only non-speaking parts in school plays.

The woman who would one day greet the public with a globally famous bright smile then faced the outside world with an elfin blush and a downward gaze.

The future fashion icon wore her strawberry blonde hair in upward swooping bouffants and favored tulle, lace, ruffles and beribboned full-skirted frocks.

She passed up the world of debutante night clubbing to become a private kindergarten teacher, presaging the particular affection for young people she would demonstrate as a public person and the unquestioned devotion she would show her two children.

Her son William was born in June 1982, thus providing continuity to the monarchy and elevating Diana to the position of mother of a king-to-be. By 1986, the first press stories about cracks in the marriage appeared in the press. A revelatory biography of Diana said that the marriage started to break up when Prince Charles had resumed his relationship with his married friend, Camilla Parker Bowles.

The book, "Diana: Her True Story" by Andrew Morton, published in June, 1992, said that feeling "trapped in a loveless marriage," she had started dating a cavalry officer, James Hewitt, conducting an affair that would have disastrous consequences when he gave her up four years later and produced a bodice-ripping kiss-and-tell account of it.

The royal couple had few common interests. Charles loved horses, his garden and traditional architecture; she loved buying clothes, listening to pop music on her Walkman and gossiping on the telephone. She was by this time suffering from the slimmer's disease, bulimia nervosa, and had made a number of suicide attempts.

People noted that the Waleses seldom made appearances together and that when they did they were sullen and did not appear to communicate with each other.

To the outside world, however, the girl in the frilly modest-maiden dresses and modified bowl hairdo had been transformed into a fashion plate whose every style change influenced the way well-dressed women around the world stepped out.

There were frequent reports and just as many denials from Buckingham Palace that the marriage was in trouble and that they were thinking of splitting up.

Then in December, 1992, John Major, who was prime minister at the time, told a packed House of Commons that the couple had agreed to separate.

In 1994 Charles gave his extraordinary interview to the BBC in which he admitted adultery and dismissed suggestions, allegedly from Diana, that he was not fit to be king.

She retaliated in 1995 with her equally bold television interview in which she confessed her own extramarital relationships, her anger at the royal family and her feeling that Prince Charles would not make a good king.

There were widespread reports that she wanted to see the crown go directly to her son William, know to the British as Wills.

In the divorce she had to give up the honorific Her Royal Highness, the title that separates the royal family's inner circle from other nobles and aristocrats. But she was able to keep the title Princess of Wales, and she obtained a lump sum payment of $22.5 million along with $600,000 a year to maintain her offices.

She also got to keep her five-bedroom, four-reception room apartment at Kensington Palace.

In her television interview, Diana said she wanted to transform herself into the "queen of people's hearts." That seemed to be the thrust of her last year as she focused in on the charities she cared about and traveled the world to war and poverty zones in support of her favored causes.

When some of her involvements brought rebukes from British political figures that she was meddling in partisan areas off-limits to members of the royal family, she replied, "I am not a political figure, I am a humanitarian figure, and I always will be."

This past June, she signaled her desire to shed her image as a clotheshorse, which critics said saw as profligate and mindless, by selling 79 of her most expensive dresses at a charity auction at Christie's in New York.

That she succeeded in changing her image was borne out Sunday in the number of tributes by charity groups that she had identified with and with young women who have endured some of the same trials that she did.

"Diana," said Deanne Jade, founder and principal of the National Center for Eating Disorders, "appealed to the princess in every woman."



Interim Contini/Agence France-Presse

Diana chatting with a disabled teenager in Angola in January.

Dodi Offered Diana a Different Family

Al Fayeds Symbolized Contradiction of Successful Outsiders in U.K.

By Youssef M. Ibrahim
New York Times Service

LONDON — On the day he died, the News of the World, Britain's largest-circulation weekly, claimed the Egyptian millionaire Emad Mohamed (Dodi) al Fayed was unfit to marry into Britain's royalty.

In a "royal exclusive," it asserted Sunday that Diana's 15-year-old son William was "horrified" at the notion that a two-month romance between his mother and 41-year-old Dodi, as her new love was known, was headed for matrimony.

Close friends, relatives and associates of the couple's say nothing could be further from the truth. If anything, they say, the Muslim Arab al Fayed family, one of Britain's wealthiest, offered the Princess of Wales and her two sons, William and 12-year-old Harry, a welcome escape from the cold, remote world that enshrines a declining British aristocracy.

Diana, who had wanted to be "a queen of hearts," indeed strove to envelop her children in the warm, down-to-earth fun world Mr. al Fayed inhabited.

Such have been the undercurrents of a love story which more than anything in recent times flushed out contradictions of an evolving British society. It pits an ascending service economy where accomplishment matters more than pedigree against a discredited old empire fighting to hold down immigrants, who in the past decade have made this country's institutions, from small groceries to Harrods department store, better, faster and wealthier.

Now that both the princess and her companion have died, Britain has begun to examine the moral of this story and in the days to come will question many of the issues springing loose from a tragedy that has deeply shaken much of the country and most of the world.

"He told me last night he was going to marry her. We were so happy for him," said Hassan Yassin, a cousin of Mr. al Fayed's mother, Samira. "I felt that Dodi had found himself in her and she in him." The Saudi businessman was speaking from the Ritz Hotel in Paris on Sunday morning, where the al Fayed clan was gathering in the aftermath of the tragedy. It all began a few weeks ago when Dodi's father, Mohamed al Fayed, invited Diana and her two sons to his luxurious home on the French Riviera and. Dodi was there, too. Although the two knew each before, that is when they fell in love.

"Dodi was very kind, very gentle and a decent man who cheered the lives of everyone he met," Michael Cole, a close associate of the al Fayeds and spokesman for the family, said in interviews Sunday. "He had great regard for the princess and her family. They had a wonderful happy holiday. They sat down and had coffee and croissants. She never had a family like this. Mr. al Fayed loved the princess and she loved his company. She suddenly saw what it would be like to be a part of a warm, caring family"

This appraisal, repeatedly asserted Sunday by friends and relatives, contrasted sharply with the way the royal family and Britain's notorious tabloids shunned the princess after her divorce last year from Prince Charles.

For his part, Mohamed Fayed, the Harrods boss, is an integral part of the story, too. He bought Harrods 12 years ago, tripling its value to nearly $5 billion since. His other properties, including the legendary Ritz Hotel in Paris, Punch magazine, a soccer team, many yachts and multiple castles and homes, make him a hugely successful businessman and manager whose sense of humor, including a healthy dose of profanity, appealed to Diana.

Yet, even though the "House of Harrods" is clearly a pillar of English commerce Mr. al Fayed, his brother Ali, who owns Turnbull & Asser, one of the Britain's finest shirtmakers, and his son Dodi have been consistently denied British citizenship for reasons unexplained.

They were outsiders — tolerated but not embraced. It was with delight, therefore, that the senior al Fayed welcomed the relationship of Dodi with the princess. And the two were alike. Dodi, a 41-year-old playboy, was raised amid fabulous wealth. He did not excel at the French La Salle high school in his native Alexandria before moving to Swiss private schools. He did a two-year stint at Sandhurst, the British military academy.

He also dabbled at Harrods, manning various posts but never went to work for the store. And he participated in funding the 1981 Oscar-winning film "Chariots of Fire," "The World According to Garp," "F/X" and "Hook."

Otherwise, he threw lavish parties, smoked expensive cigars, dated beautiful women and was briefly married for eight months. Dodi was the only son of a brief marriage between Mohamed al Fayed and Samira Kashoggi, the sister of the billionaire arms dealer Adnan Kashoggi.



Sirfan Rooseval/Agence France-Presse

Dodi al Fayed, the Harrods' heir, leaving his home in London during August. The Egyptian was little known until recent weeks, when he started dating Princess Diana.

PRINCESS: *Worldwide Mourning for Untimely Death of Diana*

Continued from Page 1

tempt to draft a privacy law and that Diana had died in France, whose tough privacy laws did little to protect her.

Diana and Mr. al Fayed were returning to Mr. al Fayed's Paris apartment after dining at the Fayed-owned Ritz Hotel when their car, a chauffeured Mercedes, crashed into the wall of a tunnel under the Place d'Alma, along the Seine in central Paris, while trying to elude photographers. They were traveling, according to witnesses, at very high speed and it is not known exactly what caused the car to hit the side of the tunnel.

Diana, 36, died at the Pitie-Salpetriere hospital in Paris around 4 A.M. Sunday morning after doctors labored for more than two hours to try to stem bleeding from her massive injuries. Mr. al Fayed and the driver were declared dead at the scene. Trevor Rees-Jones, Diana's bodyguard, was expected to recover from his injuries, doctors said.

Mohamed al Fayed, the Egyptian-born businessman, Harrods's owner and father of Dodi, decried the deaths as "appalling and quite needless." Mr. al Fayed said, "The world has lost a princess who is simply irreplaceable."

The royal family was on its traditional summer vacation in Balmoral, Scotland, when news of her death arrived. Charles woke their two children, William, aged 15, and Harry, 12, to break the news.

It was not immediately clear what funeral arrangements would be, but government officials indicated there would not be a state funeral since Diana was no longer a member of the royal family.

It was a tragic and ironic end to a life that has transfixed Britain and much of the world since Diana Spencer burst onto the scene 17 years ago.

The product of a broken family with close ties to the House of Windsor, Diana, then 19, was working as a kindergarten teacher in London when she became engaged to Charles, 12 years her senior. Their 1981 wedding was an extravagant display of royal pageantry that uplifted a recession-bound nation.

But the couple's differences in expectations and attitudes quickly became apparent. Diana spoke in a 1995 television interview about her depression, her struggle with the eating disorder bulimia, and several attempts at suicide.

According to her own words and those of close acquaintances, Diana had begun to find some of the happiness she lacked in marriage with Dodi al Fayed. Their sudden romance in the past two months had been the story of the summer here.

A photograph of the couple kissing while vacationing at Mr. al Fayed's home in the south of France in recent weeks reportedly sold for $200,000, a figure that explains the behavior of photographers. Steve Coz, editor of the National Enquirer, said on television that photographs of the crash scene were being shopped around for $1 million but that the American tabloid had turned the offer down.

President Bill Clinton, who interrupted his vacation on Martha's Vineyard to express condolences, said he and his wife, Hillary, "liked her very much."

"We admired her work for children, for people with AIDS, for the cause of ending the scourge of land mines in the world, and for the love of her children, William and Harry," he said.

DIANA: *The First Princess Superstar*

Continued from Page 1

marriage, women cheered her on. She deliberately took the dangerous decision to move her life into the fast lane — not just with her penchant for jet-set life over the stuffiness of the royal court, but in her willingness to bare her soul about her emotions, her bulimia and the infidelities of her husband and herself.

Her critics will see in this a streak of self-destructiveness that foreshadowed the tragic ending.

If Diana's story reads like a soap opera, she contributed to the screenplay. By so obviously enjoying her cover-girl status, and inviting the world to share the roller-coaster ride of her personal life, she became the ultimate celebrity symbol of a media-saturated age.

Diana was, in fact, the first media-savvy royal, a television princess who honed her image to the small screen rather than the big crowd.

Queen Elizabeth had, it is true, invented the idea of the royal "walkabout," but her dignity and restraint put a glass wall between herself and her subjects.

Diana became master of the one-on-one encounter — not just with the sick and distressed, but also with a face drawn from the crowd. And while this made great television and newspaper pictures, it also had an enormous popular impact.

From the reaching out, literal and figurative, grew Diana's role as a quasi-saintly figure, whose way of communicating with the old, the young, the victims of AIDS or land-mine injuries, crossed barriers of age and language. Instead of the post-Victorian royal image of a family steeped in bourgeois values overlaid with pomp and circumstance, Diana appeared to be reinventing earlier mystical concepts of kingship, when the "laying on of hands" was part of any royal progress.

In an age when conventional religion is often abandoned or deemed inadequate, this "Diana-worship" fulfilled a need.

And whereas it might have seemed mawkish or weird, people believed in Diana because she was so obviously searching for answers for herself. Her unhappy marriage and its aftermath were filled with visits to psychics, psychoanalysts, faith healers and clairvoyants (most recently with Dodi al Fayed, who was killed in the same accident).

Diana therefore became not one of "them" — a distant royal with a gracious interest in ordinary folk — but one of "us."

In every facet of her life, she appeared to mirror the norm in the late 20th century — especially for her gender.

She was a tireless mother who turned out to have come from a dysfunctional family. People saw her hugging her kids and remembered the story of how her own childhood was haunted by the memory of her mother's departing footsteps crunching down the drive.

From "Shy Di," whose sweet side-long glance made her look like a startled fawn, she morphed into a business person and working mom, whose causes were big issues in which she proved that one person could make a difference.

Her time off was also like that of ordinary folk. Ignoring royal etiquette, the princess threw herself into races at the children's school sports days. Her vacations were not behind castle walls, but a glamorized sun-and-sand version of other people's holidays.

She was venerated for her extraordinary, charismatic beauty, elegance and style — but then revealed that her exterior was as much a facade as her fairy-tale romance with the Prince of Wales. Then she rebuilt her body and her confidence at the gym, as though to prove that glamour is something that any woman can aspire to.

Even her revelations about her love affair with James Hewitt and her recent flaunting of an intimate relationship can be seen as a mirror image of the "girl-power" that dominates the 1990s.

Diana's presentation of herself as a sexual being was an affirmation of the reality of modern women's lives — the diametric opposite of the image of the innocent and virginal princess sacrificed on the altar of royal conformity in her 1981 marriage.

How much of all Diana's life was about manipulation through the media to feed the fantasies of an adoring public? In recent weeks, comparisons drawn between Diana's relationship with the playboy Mr. al Fayed and Jackie Kennedy's relationship with Aristotle Onassis suggest that people were not entirely happy with this picture-perfect romance.

By turning so much of her life into a photo op, she reaped the bad harvest of complicity with the media.

Yet the princess, even stripped of her official royal status, had still seemed the best hope of the monarchy for giving itself a purpose, a position and above all a coherent image in the modern world. The reaction of the royal family to her death — its ability to express the emotional grief of the public — may determine its status and even its survival.

When the young Queen Elizabeth II came to the throne in 1953, symbolizing the hope of renewal in a postwar world, her prime minister, Winston Churchill, called her "a flash of color on the hard road we have to travel." He said, "We don't know how lucky we are to have her."

In Britain and the wider world, most ordinary people would echo those sentiments about Diana and feel that a light is extinguished with her death.

PARIS: *Police Investigating Photographers' Role in Fatal High-Speed Chase and Crash*

Continued from Page 1

and pronounced her dead at about 4 A.M. Paris time.

Crowds of tourists and Parisians gathered at the accident scene in hot sunshine on the last day of France's annual August vacation as news of the terrible event spread around the city.

Some, like many prominent French and other European officials, blamed the deaths on a media frenzy created by relentless photographers intent on documenting the romance between this unhappy former member of the royal family and an upstart millionaire commoner whose family had often upset Britain's establishment.

"The ones who were pursuing her should be prosecuted to the full extent of the law," said Patrick Bouvry, 28, who came in from suburban Bobigny to deposit three roses, one for each of the dead, near the site of the accident, where a riverside expressway takes a slight jog to the left and passes under the Place de l'Alma, not far from the Eiffel Tower across the Seine.

Hundreds of other mourners went to the hospital, on the Left Bank near the Gare d'Austerlitz, to deposit banks of flowers at the entrance.

Police did not identify the photographers except by their nationalities, six French and one Macedonian, all said to be commercial photographers working on commission for photographic agencies. Authorities placed all seven in formal detention, which allows them to be held 48 hours without charges, after questioning them all night.

"The inquiry will establish in more detail the role that these people may have played in the cause of the accident and how they behaved at the site," a statement by the Paris prosecutor's office said.

Legal experts said that detectives would look into whether the motorcycle pursuit of the Mercedes had contributed to causing the accident, and probe whether the pursuers had violated French laws requiring immediate witnesses of an accident to try to give aid on the scene. Some reports said that the first photographers on the scene had snapped pictures instead.

In an interview published in the French daily Le Monde last week, Diana said the British press was "ferocious" in its relentless pursuit of her. In her place, anyone in her right mind would have left Britain long ago, she said. "But I can't. I have my sons." The two princes, Harry, 12, and William, 15, were told of their mother's death by Prince Charles.

But Diana knew how to manipulate the celebrity-hungry press for her own purposes, gaining widespread sympathy by baring her marriage difficulties in an interview with BBC television two years ago. More recently, she teased photographers who had tracked her and Mr. al Fayed to southern France earlier this month by promising a big surprise soon, making many wonder whether the couple planned to marry and inciting the paparazzi all the more.

She and Mr. al Fayed arrived at Le Bourget airport north of Paris on Saturday afternoon from Sardinia, where they had sailed aboard Mr. al Fayed's yacht from the French Riviera.

The photographers, alerted by radio, waited for them to arrive at the Ritz, the luxury hotel on the Place Vendome, and followed Diana on an errand to the Champs-Elysees at about 8:30 Saturday night, witnesses said.

The couple dined at the Ritz until about midnight, according to witnesses who told French radio that a Land-Rover with tinted windows took off from the hotel then and headed toward Place de la Concorde and the 16th Arrondissement. The al Fayed family also has a long-term lease on the villa that belonged to the Duke and Duchess of Windsor in the Bois de Boulogne.

They may have been trying to throw the photographers off the scent. Mr. al Fayed and Diana, who police sources said were not wearing seat belts, got into the back seat of the Mercedes a few minutes later and went in the same direction as the earlier car.

Seven photographers mounted much less powerful and speedy motorcycles or motor scooters and took off in pursuit. Police and others speculate that the Mercedes driver may have tried to outrun them before the photographers could see where the couple was headed.

All that police would say Sunday was that at about half past midnight the Mercedes, traveling at what some guessed might have been 90 miles (150 kilometers an hour) down the westbound lanes of the main artery on the right bank of the Seine, struck one of the square concrete pillars in the tunnel's dividing lane, then hurtled into the right concrete wall, underneath the Place de l'Alma.

The speed limit in all of Paris is 50 kilometers (30 miles) an hour, and at this point it is impossible to know why the driver was going so fast or why he lost control. People living in the area heard a long screech and a crash and saw the photographers arrive. When the police arrived, according to some witnesses, they gave some of the photographers a pummeling before taking them, two motorcycles and a scooter into custody.

Diana was extracted from the Mercedes, so badly damaged that the radiator was pushed back into the passenger compartment and the roof crushed in. She was treated at the scene then rushed to the hospital at 2 A.M.

On arrival at the hospital, Diana "appeared to be in serious hemorrhagic shock, originating in her thorax, and soon afterward, she had a cardiac arrest," said Dr. Bruno Riou, who headed the team of surgeons. "Her chest cavity was urgently opened up, revealing a significant wound to her left ventricle. Despite a closure of the wound and an external and internal cardiac massage lasting two hours, no effective circulation could be re-established, and death was noted at 4 A.M."

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Death of a Princess

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Public Fury Is Aimed at Tabloids

'I Always Believed That the Press Would Kill Her in the End'

By Sarah Lyall
New York Times Service

LONDON — "I always believed that the press would kill her in the end," Princess Diana's brother, Earl Spencer, said bitterly outside his front gates in Cape Town, South Africa early Sunday.

In their search for someone to blame for Diana's sudden, violent death, many Britons found themselves agreeing with the earl, focusing their bewildered rage on the country's ever-popular tabloid newspapers, whose appetite for printing unauthorized photographs of the Princess of Wales in private moments has always been as insatiable as the public appetite for looking at them.

But on Sunday, the uneasy partnership between the newspapers and their vast readership fell apart, and the fact that Diana often seemed to use the press as much as the press used her was all but forgotten in the public's collective fury.

A crowd gathered at Kensington Palace, where Diana lived, jeered and shouted at the pack of reporters sent to describe the public reaction to her death.

"Happy now?" yelled a city bus driver passing by, unleashing a stream of expletives as the reporters shuffled uncomfortably.

While the tabloids and indeed all of British news media bore the brunt of the public's outrage, it was a particular tabloid practice — the buying of photographs from paparazzi, or freelance photographers seemingly willing to go to any extreme to snap a photograph of their quarry — that came under the most intense scrutiny today.

"It would appear that every proprietor and editor of every publication that has paid for intrusive and exploitative photographs of her, encouraging greedy and ruthless individuals to risk everything in pursuit of Diana's image, has blood on his hands today," said Earl Spencer, pleading with reporters to leave him alone.

For some time, public officials and editors of some of Britain's so-called quality newspapers have been calling for a privacy law that would forbid the news media from intruding too aggressively into people's private lives. But France, where the accident took place, has of the strictest privacy laws in Europe. And even if Britain were to impose such a law, it would not have prevented the sort of chase that led to Diana's death, said Alan Rusbridger, editor of The Guardian, a broadsheet newspaper, who feels that the tabloids often go too far in invading people's privacy.

"I'm not sure that any privacy law would have operated here because it was in a public place and she was a public figure," he said. "But you would hope that simple editorial judgment would be used about whether or not this was a private event — and a woman going out with a boyfriend for dinner is not by any conceivable stretch of the imagination a public occasion."

But, as Andrew Marr, the editor of The Independent, another broadsheet, pointed out, photographers lucky enough to snap an exclusive photograph of a celebrity in a private moment can expect a lucrative windfall from a global market eager for their work.

"What happened in France happened not purely because the British tabloid newspapers spend a lot of money on their pictures," Mr. Marr said. "So do international magazines and newspapers around the world. A member of the paparazzi who is on form and gets the right shot is said to be able to make £3 to £4 million [$4.9 to $6.5 million] a year."

In Britain, the situation is compounded by the fierce circulation war among the tabloids, whose editors go to extreme lengths to produce exclusive stories and photographs. "The only way in which this horrific, nasty and intrusive practice would cease would be if the public at large made it clear that they do not like newspapers which engage in this kind of business," Sir Teddy Taylor, a Conservation member of Parliament, told the Press Association in London.

For their part, the tabloid editors were keeping a low profile. At The Sun, which on Friday printed grainy "world exclusive" photographs of the princess and Dodi al Fayed swimming off the coast of Sardinia, the editor, Stuart Higgins, was not making any statements. Nor would Piers Morgan, the editor of the Daily Mirror, agree to be interviewed. "It's an enormously sad day and we have the task of getting out this particular newspaper for our readers," said Nick Fullagar, a spokesman for Mirror Group.

France No Paparazzi Market

Strict Press Laws Govern Any Invasion of Privacy

International Herald Tribune

PARIS — The free-lance photographers who pursued Diana, Princess of Wales, and her millionaire companion shortly before their fatal crash would have found no legal market for their pictures in France.

France has strict press privacy laws — so strict that editors usually print a black band across the faces of subjects who have not given permission for their pictures to be published.

The law protects people against any intrusion into their private life or that of their family.

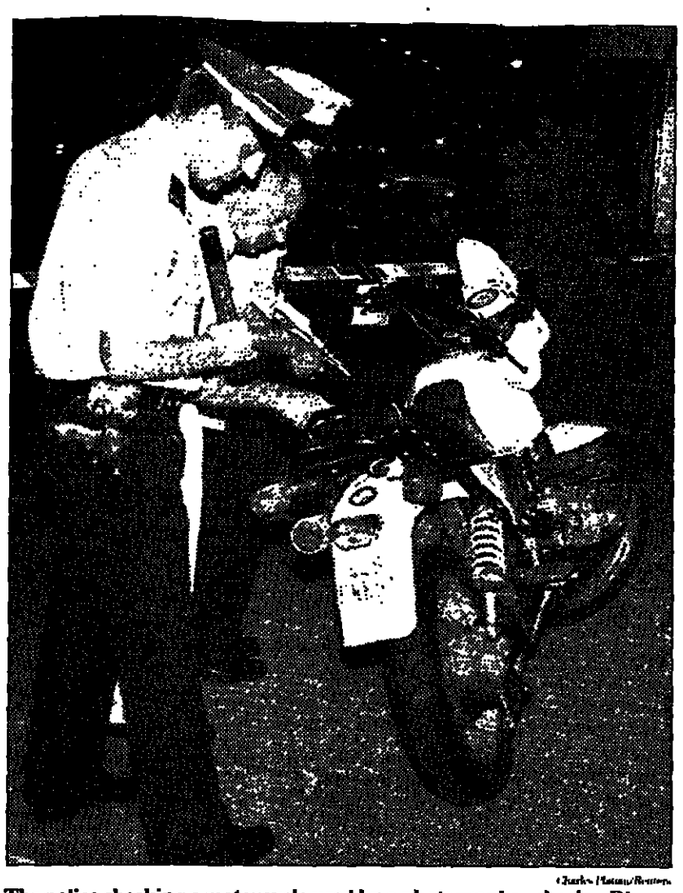
Some politicians in Britain, which has one of the toughest libel laws in the world, have long sought to introduce a privacy law even more restrictive than the one in France.

The police questioned seven photographers following the accident, seeking to find out what caused it and whether the photographers had taken pictures of the wrecked car even before the arrival of emergency services at the scene of the crash.

The paparazzi who dog celebrities in France give their pictures to agencies that supply the bitterly competitive tabloid newspapers in Britain — which collectively sell more than 13 million copies a day — the United States, Spain, Germany and many other countries.

Photographers warned against hasty judgment of their profession.

"It is not the photographers but the public that has created this market," said Alain Bizos, who works for the Vu agency.



Charles Platiau/Reuters

The police checking a motorcycle used by a photographer chasing Diana.

For Stalkers With Camera, Diana Reigned As Top Quarry

By Fred Barbash
Washington Post Service

The paparazzi of Europe are hungry, relentless, fearless and generally merciless celebrity stalkers, armed with cameras and driven partly by the thrill of the chase and the desire to bag that single exclusive shot that will sell to a tabloid newspaper for five or six figures and make weeks or months of waiting worthwhile.

They are free-lancers rather than employees of particular newspapers or magazines and seek the highest bidder for their pictures. They will travel by train, plane, automobile, helicopter or speedboat to find their quarry. They spend much of their time on the backs of hired motorcycles, driven by hired drivers so that the photographers are free at all times to shoot when their target zooms suddenly into sight for what may be only a fraction of a second.

Of all the quarries, none has been more desired over the last decade than Diana, Princess of Wales.

Half a dozen or more paparazzi did nothing but wait and watch for Diana, hoping to get anything that will sell: Pictures of Diana coming in and out of her health club fetched the lowest prices; pictures of Diana with a man fetched the highest.

The paparazzi prompted her to take evasive tactics as she drove around London. Once, two years ago, she thought she had eluded them when visiting her personal psychotherapist late at night. But they caught her as she was leaving, trapping her between her car and a wall so that all she could do was cover her face, shrink in fear and weep in frustration.

The photos that later were published purported to show Diana overwrought with emotion from a presumably wrenching session with her therapist. Later videos showed that her weeping began only in response to being cornered by the photographers.

While she tolerated much of the intrusion, she surprised people a year ago by seeking and obtaining a court injunction against a particularly aggressive photographer who then complained that somehow she was not playing by the rules in going after him this way.

When not chasing Diana, the paparazzi of London sit around neighborhoods frequented by actors and rock stars, particularly those involved in marital failures or affairs. This is considered lower-grade activity and receives much lower payment from papers and magazines than did shots of Diana.

The name of the photographers comes from the Italian. "Paparazzi" is the plural of paparazzo, the surname of a free-lance photographer of celebrities in Federico Fellini's 1959 movie "La Dolce Vita."

Brother Blames Media

'Exploitative' Demand for Photographs

The Associated Press

CONSTANTIA, South Africa — The brother of Diana, Princess of Wales, blames the news media for her death, saying Sunday that every editor who paid for exploitative photos of her had blood on his hands.

"I would say that I always believed the press would kill her in the end," Charles Spencer told reporters gathered outside his home in Constantia, 20 kilometers from Cape Town.

"But not even I could imagine that they would take such a direct hand in her death, as seems to be the case.

"It would appear that every proprietor and every editor of any publication that has paid for intrusive and exploitative photographs of her, encouraging greedy and ruthless individuals to risk everything in pursuit of Diana's image, has blood on his hands today."

Diana, her companion, Dodi al Fayed, and their chauffeur were killed in Paris in a car crash while being chased by photographers on motorcycles early Sunday morning.

"The one consolation is that Diana is now in a place where no human being can ever touch her again," Mr. Spencer said. "I pray that she rests in peace."

Mr. Spencer came out of his residence after a neighbor said he would issue a statement but expressly requested no photographs. Once he appeared at the electronically controlled gates, the request was ignored.

"It was with profound shock that we learned of my sister's serious injury and subsequent death in Paris early this morning," he said. "All those who came into contact with her, particularly over the past 17 years, will share my family's grief.

"She was unique. She understood the most precious needs of human beings, particularly those who suffered, and her vibrancy and sparkle, combined with a sense of duty, are now gone forever. It is heartbreaking to lose such a human being, especially when she was only 36.

"I would ask you please at this time to respect the fact that Diana was part of a family, and amongst the general mourning at her death realize that we, too, need space to pay our final respects to our own flesh and blood. For that we will need privacy."

Homages to a Life of Helping Others

Her Charitable Work Fighting AIDS and Land Mines Is Widely Praised

By Barry James
International Herald Tribune

PARIS — The death of Diana, Princess of Wales, who once said she preferred to be a "queen of hearts" rather than to be queen of England, touched off an outpouring of grief and shock around the world Sunday.

Homages flowed from the charities to which she gave her time, often away from the glare of the press, from such statesmen as President Nelson Mandela and President Bill Clinton — and from the ordinary people who laid flowers in the tunnel where she died.

The news came as a profound shock in the United States, where millions had followed the twists and turns of Diana's dramatic life with deep fascination.

"We are profoundly saddened," Mr. Clinton said.

Tributes poured in from countries struggling with the problem of landmine clearance, a cause to which the princess had devoted much of her attention in recent months.

"We lost our greatest supporter," said Azis Ahmad of Halo Trust, the British mine-clearing program in Afghanistan.

The head of the International Committee of the Red Cross, Cornelio Sommaruga, said Diana had done a great deal to bring the issue of land mines into the homes of ordinary people, shifting the debate from the sole realm of politicians and generals.

Her death came on the eve of a 19-day conference in Oslo at which about 100 countries will work to draft a text for a convention banning the use, export, production and stockpiling of anti-personnel land mines.

Plamenko Priganica, a 37-year-old former Bosnian soldier who lost a leg in a mine explosion, said: "She came here to help us. She was a beautiful woman who did great work for mine victims."

The princess broke off much of her charitable work a couple of years ago when she sought to create a more private life. But she retained links with organizations working to fight such diseases as AIDS and leprosy, to help the homeless and to support hospitals specializing in cancer research and children's diseases. She was also a supporter of the English National Ballet.

"Diana took the stigma away from AIDS," said Nick Partridge, chief executive of the Terence Higgins Trust, an AIDS charity. "She was one of the first and most committed champions on this issue."

Everywhere she went, Diana managed to keep up with her charity interests.

"She was well known and loved by the Russian people," President Boris Yeltsin said in Moscow, where Diana visited a children's hospital and the Bolshoi Ballet during a 1995 visit.

Diana was able to charm even staunch republicans in strife-torn Northern Ireland. The Catholic and Protestant communities briefly put aside age-old rivalries to mourn Diana, whom a clergyman, Graham Steward, described as "a sort of ambassador across all barriers."

The tributes from world leaders went beyond the formal statements that are usual on such occasions. Many were deeply personal.

"The princess was a woman of grace, beauty and charm," said Prime Minister Benjamin Netanyahu of Israel. "She represented Britain with nobility and warmth, and she captured the imagination of millions throughout the world with her dedication to her children and to innumerable worthy causes."

President Jacques Chirac of France called Diana "a young woman of our time, warm, full of life and generosity."

Mr. Mandela said she was an "ambassador for the sick and needy throughout the world."

Mother Teresa, who met Diana several times, said the princess was "very concerned for the poor," and added, "That is why she was so close to me."

Mr. Clinton said he and his wife, Hillary, liked Diana "very much."

He added: "We admired her work for children, for people with AIDS, for the cause of ending the scourge of land mines in the world. And for her love for her children, William and Harry."

Here and there, however, a note of criticism crept in. Iran's state-run television said the "corruption" of Diana and her former husband, the Prince of Wales, was "at the root of scandal" in the British royal family.

The usually aggressive tabloid press in Britain, under public fire for hounding Diana, acted circumspectly after being offered photographs taken immediately after the accident.

A spokesman for the News of the World said a French photographer offered the newspaper a picture of Diana trapped in the wrecked automobile for £200,000 ($325,000). The spokesman said the newspaper declined to buy the pictures. Steve Coz, editor of National Enquirer, a U.S. tabloid, said he had been offered the pictures for about $1 million.

Chancellor Helmut Kohl of Germany said Diana was "the victim of an ever more brutal and unscrupulous competition on the part of the media."

"This terrible accident and her death," he added, "should finally give those responsible in the media a reason to reflect."

Charles Awoke Sons at Balmoral to Break News

Compiled by Our Staff From Dispatches

LONDON — Prince William and Prince Harry, the boys Diana, the Princess of Wales, adored, learned of their mother's death before dawn Sunday, when their father woke them to break the news at the royal Balmoral estate in Scotland.

William, 15, and Harry, whose 13th birthday is Sept. 15, were spending the end of their summer vacation with Prince Charles before returning to school.

The princes, looking shocked and pale but calm, went to Crathie Church near Balmoral with their father and grandmother, Queen Elizabeth II, on Sunday morning to pray for their mother.

Just as they always do when on vacation at Balmoral, the royal family arrived at the church at 11:30 A.M. in a convoy of black limousines.

Elizabeth, the 97-year-old Queen Mother, came in the first car, dressed in black and accompanied by Charles's younger brother, Prince Andrew, and Peter Phillips, son of Charles's sister, Princess Anne.

The Queen Mother was followed by Charles in a dark suit and the young princes.

Behind them came Queen Elizabeth II, staring somberly ahead, with her husband, the Duke of Edinburgh.

For Diana, the boys were paramount.

As she said in an interview published last week, her sons were the only thing that was keeping her in Britain, where she was continually hounded by the tabloids.

She told reporters earlier this summer that the boys had urged her to live abroad.

Her devotion to the princes was returned.

The boys obviously loved being with her, sharing her informal lifestyle and the normal childhood joys that she insisted they savor — trips to fun parks, going to the movies, stopping for hamburgers, choosing videos.

She also tried to instill in them her concern for the less-fortunate.

She took William to meet homeless people and discussed her campaigns to help AIDS sufferers and banish land mines.

"Your heart has got to go out to the boys," said Gill Marseilles, a 56-year-old London housewife who was crying as she placed a bouquet on the pavement outside Kensington Palace, where Diana lived.

Charles and his sons have been spending the month of August with the queen at Balmoral, enjoying hunting and other outdoor pursuits. In a break from recent years, Charles invited photographers for a photo call at Balmoral, hoping they would then leave the royal family alone.

William, tall and slim with a shock of blond hair, dislikes the paparazzi and kept looking down.

Only once did he raise his eyes and smile shyly, reminiscent of his mother's shy smile. Earlier this summer, Diana said the photographers leave him "freaked out."

Harry, an exuberant skier and athlete with reddish-blond hair, seemed to ignore the cameras.

The princes were born into the limelight, growing up in a royal family far more open to publicity than ever before and with parents whose marital troubles were daily fodder for the tabloids.

In 1995, flanked by his estranged parents, William arrived at Eton College, the first future king to attend the venerable institution that for more than 500 years has educated the sons of Britain's elite.

He has become something of a heartthrob among teenage girls, regularly featuring at the top of polls for the most handsome royal.

Harry attends the private Ludgrove school in Berkshire, where he is reported to be better known for his athletic prowess and impish personality than his academic achievement.

William had matured rapidly as he coped with his parent's acrimonious divorce played out on the front pages of the world's press, his own adolescence and the daily difficulties of modern royal life.

He and his mother, who was only 20 when he was born, had a particularly close relationship even though nannies played a large part in his upbringing.

(AP, Reuters)



Reuters

Charles and a sister of his ex-wife, Lady Sarah McCorquodale, followed by President Jacques Chirac, leaving the Paris hospital where Diana died.

Al Fayed to File Lawsuit Over Press 'Hounding'

Reuters

PARIS — A French lawyer for Mohamed al Fayed, whose son Dodi died with Diana, Princess of Wales, in a Paris car crash on Sunday, said he would bring a civil suit and added that the al Fayeds had feared hounding by the press "could have tragic consequences."

Bernard Dartevelle, interviewed on the French television station LCI, did not name a defendant in the damage suit, but said the al Fayeds had been aware that the couple were at risk from photographers.

"I have been instructed to bring a civil suit," Mr. Dartevelle said, "and we will do so as soon as a probe is opened. We want full light to be shed."

Seven French photographers who were following Dodi and Diana when their car crashed were being questioned by Paris police over their possible role in the crash and their behavior at the scene.

Mr. Dartevelle said Mohamed and Dodi al Fayed "had realized that this hounding could have tragic consequences."

Diana Was Among Britain's Wealthiest

Agence France-Presse

LONDON — Diana, Princess of Wales, was one of the richest women in Britain, with a vast personal fortune swelled by a huge divorce settlement last year after her split from the heir to the throne.

Diamonds, sapphires and a boundless collection of designer clothes were some of the personal possession left behind by the princess with her death in a car crash in Paris.

Estimates of the size of Diana's personal fortune have varied from as high as £40 million ($64 million) to as low as £17 million.

The Times of London listed her as one of Britain's richest women in its annual compilation of the country's wealthiest inhabitants. She was richer than her former husband, Prince Charles, after receiving the bumper divorce settlement and an inheritance from her father, the newspaper reported.

But the newspaper's estimate of £17 million fell far short of the true extent of the riches possessed by the princess, others said.

Although the size of her divorce settlement from Prince Charles was never made public, sources close to the princess said that the figure was in the region of £16 million.

Interest alone would have provided an income in excess of £1 million a year to help finance her lifestyle of travel and social and charity activities.

Some Africans Dread Pullout of French Troops

Time Has Come for Real Independence

By James Rupert
Washington Post Service

BANGUI, Central African Republic — In the fourth decade after France declared independence for most of its African colonies, it is finally handing over the real thing.

In this bankrupt, bullet-pocked capital on the Ubangi River, that fact is sinking in — but it causes no joy.

In the 1990s, France has been shedding its neocolonial role as arbiter and financier for its former African holdings, leaving them to reform their economies and to resolve internal conflicts.

Among France's 14 ex-colonies in sub-Saharan Africa, the change is hardest to the Central African Republic.

In some ways, France's liberation of its colonies in 1960 was a formality. The Ministry for the Colonies renamed itself the Ministry for Cooperation and kept sending out French officials and troops to help run African governments.

No former colony has stayed more dependent than this land of savanna and forest, unconnected to the outside world by so much as a railway or a paved road. Until a few years ago, French officials concede, the country was run largely by a French intelligence officer.

In the 1990s, France's quasi-imperial role is a financial burden. French control in Africa has lost its Cold War imperative, and politics in Paris is knotted around issues of European unification. So France has been snipping its African umbilical cords, tightening bilateral aid and devaluing the French-backed African currency, the CFA franc.

This summer, France has been shedding its role as gendarme of Africa. In June, when Brazzaville, Congo, exploded in civil war, the Foreign Legion flew in. This time, once they evacuated Western citizens, they flew out again.

In July, Paris announced military cuts in Africa — most dramatically, a pullout of the 1,400 troops in the Central African Republic. That has been something of a shock. Many people can't imagine the country not dominated by France.

Many Central Africans in Bangui say France's withdrawal is right, but they say it more often with a sigh than passion. "We have to be the ones to take care of our affairs," said Barnabe Soungou, a restaurant manager.

On a good night, when Mr. Soungou's restaurant might fill half its tables, the khakis and crew cuts of French soldiers predominate.

Having had been drawn into combat zones five times in the past 16 months, the French force has been handing its role to an 800-troop peacekeeping force drawn from six African countries.

This country's poverty is rooted partly in its geographic isolation, and quite substantially in France's rule. While Europe's subjugation of Africa was universally brutal, French rule in central Africa was among the worst.

Here and in neighboring Congo and Gabon, France leased the land and its people to businessmen, who were free to use violence to force villagers to tap the native rubber trees.

French companies and officials seized women and children from villages and interned them in camps as hostages, forcing the men to collect rubber. In 1905, pressure in France compelled an inquiry that found the "companies, rapacious and cynical, trying to create a new form of slavery."

The findings were suppressed and forced labor continued. The republic thus reached formal independence as a virtual ruin.

Since 1960, France has wielded quasi-colonial power through its heavy subsidy of the republic's budget, its officials serving in the government here and its troops, based in Bangui and the northwestern town of Bouar.

The most glaring example of France's role was its relationship with Jean-Bedel Bokassa, who seized power in a 1966 coup. Mr. Bokassa was brutal and corrupt.

France kept close ties with Mr. Bokassa even as he grew increasingly erratic and murderous. In 1976, he crowned himself Emperor Bokassa I.

France reversed its support for Mr. Bokassa in 1979, flew in a Bokassa rival, David Dacko, and installed him in office. With Mr. Dacko came Lieutenant Colonel Jean-Claude Mantion, formally a French military officer sent as an adviser to the new president.

But in reality, officials concede, he was an officer of the intelligence service who in many respects ran this country for more than a decade.



Sayyid Azim/The Associated Press

KENYA GHOST TOWN — A man in the Likoni neighborhood of Mombasa pulling a cart across an empty street Sunday. Thousands fled, fearing new violence after a police station was ransacked Aug. 13.

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TRAVEL UPDATE

Radar Check for National Airport

WASHINGTON (NYT) — The Federal Aviation Administration has begun a review of radar maintenance at National Airport near Washington and said the agency would redesign the airport's communications links after several equipment failures last week.

The radar equipment at the airport, which is in Virginia just across the Potomac River from the U.S. capital, and communications links to a backup radar at Andrews Air Force Base in nearby Maryland were involved in the failures.

In two episodes, one last Thursday afternoon and the second on Friday, air traffic controllers lost part of the radar service that helps them direct arriving and departing flights.

While the controllers could still see the "blips" representing planes on their radar screens, the little blocks of text and numbers that give additional information about each plane failed to appear, said Eliot Brenner, a spokesman for the agency.

Labor Impasse at US Airways

IMPERIAL, Pennsylvania (AP) —The head of the pilots' union at US Airways said he doubted a new contract would be approved before the company's Sept. 30 deadline for wage and other concessions.

US Airways, which has a hub in Pittsburgh, has said it will abandon a $14 billion order for 400 jets from Airbus Industrie if no deal is reached with the Air Line Pilots Association.

The United States and Japan have failed to narrow their differences over the future of aviation services between the two economic powers in talks this week, Assistant Secretary of State Alan Larson said after three days of talks on the $10 billion aviation market. *(Reuters)*

This Week's Holidays

Banking and government offices will be closed or services curtailed in the following countries and their dependencies this week because of national and religious holidays:

MONDAY: Bermuda, Canada, Guam, Libya, Luxembourg, Malaysia, Mexico, Puerto Rico, Slovakia, United States, Virgin Islands.
WEDNESDAY: Monaco, Qatar, San Marino.
FRIDAY: Israel.
SATURDAY: Mauritius, Netherlands Antilles, Pakistan, Sao Tome, Swaziland.
Sources: J.P. Morgan, Reuters, Bloomberg.

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Disney World Calm Over Encephalitis

By Donald P. Baker
Washington Post Service

ORLANDO, Florida — The Lineck family comes to Walt Disney World every year for vacation and this year has been no different, with one exception: The after-dark dip in the resort pool has been replaced with a nightly ceremonial spraying of bug repellent.

Mosquitoes carrying a potentially deadly encephalitis virus have been found in the area and public health officials have warned residents and the tourists descending on this playland of resorts and theme parks to protect themselves.

Like the Linecks, most people here seemed to take the warnings calmly about the virus, called St. Louis encephalitis.

"Most of our guests are taking it in stride," said Diane Ledder, a spokesman for Disney, which reported full occupancy for its hotels and no cancellations. The mosquito-borne virus, which can cause swelling of the brain, fever, weakness and, in the most severe cases, coma and death, has hit Florida before, sometimes severely. In 1990, a total of 223 people contracted the disease and 11 died of it.

Although no case of St. Louis encephalitis has been reported in humans in Florida this year, a reliable harbinger of an outbreak — the infection of chickens — has been reported in nine counties, including Orange County, home of Disney World.

In addition to posting the medical alert, Disney World is closing hotel swimming pools and its three water parks a bit before dusk every night until the encephalitis alert is over.

BRIEFLY

Reformers in Kenya Warned on 'Treason'

NAIROBI — President Daniel arap Moi has accused a coalition of legal and constitutional reformists of treason for planning to turn itself into a constituent assembly, newspapers said Sunday.

The executive committee of the National Convention Assembly said last week it would declare itself to be an interim people's legislature unless Mr. Moi's ruling Kenya African National Union agreed to discuss reforms before elections later this year.

"It is a treasonable act and I dare them to do it," the newspaper Sunday Nation quoted him as saying. *(AP)*

Algeria Rebel Chief Reportedly Is Slain

ALGIERS — The commander of the western region of the Armed Islamic Group and 46 other rebels have been killed by security forces, the newspaper La Tribune said Sunday.

It said Mustapha Akkal and three of his followers were killed in an ambush between Tafessour and Ouala. There was no official confirmation. Elsewhere, papers said, nine civilians were killed. *(AFP)*

West African States Press Sierra Leone

ABIDJAN, Ivory Coast — West African heads of state have formalized an embargo on Sierra Leone in an effort to force its three-month-old military government to restore civilian rule.

The conference of the Economic Community of West African States, in Abuja, Nigeria, also voted to extend the mandate of its Liberian peacekeeping force for an unspecified period.

General Sani Abacha of Nigeria was renamed chairman of the regional grouping, but appeared to have failed to persuade members to take a harder line against the junta in Sierra Leone. *(WP)*

11 to Be Put on Trial For Aden Bombings

SAN'A, Yemen — One hundred and twenty people arrested in connection with dynamite attacks in Aden have been released, but 11 other suspects are to go on trial, the Yemeni Interior Ministry said Sunday.

The Yemen Socialist Party and League of the Sons of Yemen, which mounted an unsuccessful armed struggle for secession in the south in 1994, have denied charges of involvement in the three attacks on July 28, which caused no casualties. *(AFP)*

Peru Crash Kills 12

LIMA — Two small planes collided in midair and plunged to earth, killing 12 people, including five Germans, Peruvian authorities said.

There were no survivors. The planes were taking tourists Saturday to see the pre-Inca line drawings of Nasca. *(Reuters)*



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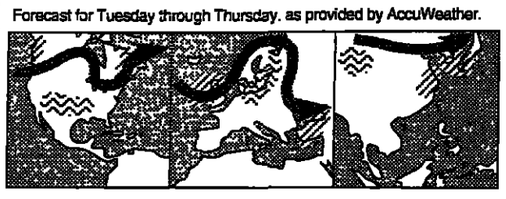
Europe

	Today High C/F	Today Low/W C/F	Tomorrow High C/F	Tomorrow Low/W C/F
Algarve	26/79	19/66 pc	29/84	19/66 s
Amsterdam	22/71	12/53 pc	19/66	11/52 pc
Ankara	19/66	9/48 sh	23/73	7/44 pc
Athens	28/82	21/70 s	31/88	21/70 pc
Barcelona	25/77	19/66 pc	25/77	17/62 c
Belgrade	25/77	14/57 c	29/84	17/62 s
Berlin	27/80	16/64 pc	27/80	16/61 pc
Brussels	22/71	12/53 pc	20/68	11/52 pc
Budapest	28/82	14/57 pc	28/82	17/62 s
Copenhagen	24/75	16/61 pc	24/75	14/57 sh
Costa Del Sol	30/86	22/71 pc	30/86	21/70 sh
Dublin	17/62	9/48 pc	19/66	13/55 s
Edinburgh	17/62	9/48 r	18/64	13/55 c
Florence	32/88	18/64 s	31/88	19/66 s
Frankfurt	27/80	17/62 pc	27/80	16/61 pc
Geneva	29/84	16/61 s	25/77	12/53 sh
Helsinki	18/64	8/46 s	17/62	8/46 s
Istanbul	23/73	18/64 sh	27/80	18/64 pc
Kiev	22/71	11/52 pc	18/64	7/44 pc
Las Palmas	24/75	17/62 pc	24/75	21/70 s
Lisbon	22/71	14/57 s	26/79	18/64 pc
London	23/73	12/53 r	22/71	16/59 r
Madrid	27/80	17/62 r	29/84	15/59 pc
Mallorca	31/88	19/66 pc	31/88	20/68 pc
Milan	33/91	18/64 s	30/86	21/70 pc
Moscow	14/57	4/39 pc	9/48	1/34 pc
Munich	25/77	14/57 s	24/75	14/57 c
Nice	29/84	21/70 s	28/82	23/73 pc
Oslo	22/71	13/55 pc	23/73	13/55 c
Paris	22/71	13/53 pc	20/68	11/52 pc
Prague	27/80	16/61 pc	27/80	13/55 sh
Reykjavik	11/52	9/48 r	12/53	9/48 r
Riga	22/71	12/53 c	19/66	12/53 pc
Rome	29/84	19/66 s	30/86	19/66 pc
St. Petersburg	15/59	7/44 s	16/61	10/50 s
Stockholm	22/71	14/57 pc	21/70	12/53 pc
Strasbourg	28/82	18/64 pc	22/71	16/61 c
Tallinn	19/66	9/48 s	17/62	11/52 s
Tbilisi	31/88	16/61 s	22/71	13/55 c
Venice	29/84	19/66 s	29/84	21/70 s
Vienna	27/80	17/62 pc	28/82	18/64 pc
Warsaw	24/75	14/57 pc	23/73	13/55 pc
Zurich	27/80	17/62 pc	22/71	16/61 c

Middle East

Abu Dhabi	42/107	26/79 s	43/109	27/80 s
Beirut	28/77	19/66 s	27/80	21/70 pc
Cairo	33/91	18/64 s	32/89	19/66 pc
Damascus	29/84	11/52 s	28/82	12/53 pc
Jerusalem	28/79	13/55 s	28/79	14/57 pc
Luxor	38/100	17/62 s	37/99	20/68 s
Riyadh	42/107	26/79 s	41/106	26/79 s

Forecast for Tuesday through Thursday, as provided by AccuWeather.



Jetstream — Unseasonably Cold — Unseasonably Mild — Heavy Rain — Heavy Snow

North America
Sunny and hot from the Southwest to the southern Plains Tuesday to Thursday, but a cold front moving from the Great Lakes into the Northeast will bring showers and thunderstorms followed by much cooler weather for Thursday. Partly sunny and comfortable in the northern Plains.

Europe
Partly sunny and breezy in London Tuesday, but showers are likely Wednesday and Thursday. Wind-driven rains are in store for Ireland and Scotland. Sunny and warm from Hungary and Poland to St. Petersburg and Helsinki. Thunderstorms are likely Tuesday in eastern and southern France.

Asia
Typhoon Bing could bring heavy rains to southern parts of Japan or Korea; soaking rains are also likely over eastern China near Shanghai. Dry and cooler in Beijing with sunshine Tuesday to Thursday, but Hong Kong will be warm and humid with the chance for a shower or thunderstorm each day.

North America

	Today High C/F	Today Low/W C/F	Tomorrow High C/F	Tomorrow Low/W C/F
Anchorage	14/57	9/48 sh	15/59	9/46 sh
Atlanta	32/89	21/70 t	31/88	21/70 pc
Boston	28/82	19/66 pc	27/80	17/62 pc
Chicago	30/86	18/64 s	27/80	16/61 pc
Dallas	36/97	23/73 s	34/93	23/71 pc
Denver	32/89	16/61 t	32/89	14/57 pc
Detroit	29/84	18/64 s	28/82	15/61 pc
Honolulu	32/89	24/75 pc	33/91	24/75 pc
Houston	34/93	22/71 pc	33/91	22/71 pc
Los Angeles	31/88	17/62 s	32/89	17/62 pc
Miami	32/88	26/79 sh	33/91	26/77 pc
Minneapolis	29/84	17/62 sh	25/77	14/57 pc
Montreal	26/79	16/61 pc	28/79	13/55 pc
Nassau	32/89	24/75 c	32/89	25/77 pc
New York	30/86	22/71 pc	28/84	20/68 pc
Orlando	33/91	23/73 sh	33/91	23/73 pc
Phoenix	39/102	27/80 pc	40/104	27/80 s
San Fran.	21/70	13/55 s	23/73	14/57 pc
Seattle	22/71	13/55 sh	23/73	13/55 pc
Toronto	27/80	15/59 s	27/80	12/53 pc
Vancouver	21/70	11/52 sh	18/64	10/50 pc
Washington	31/88	22/71 pc	31/88	23/71 pc

Legend: s-sunny, pc-partly cloudy, c-cloudy, sh-showers, t-thunderstorms, r-rain, sf-snow flurries, sn-snow, Hce, W-Weather. All maps, forecasts and data provided by AccuWeather, Inc. © 1997

Asia

	Today High C/F	Today Low/W C/F	Tomorrow High C/F	Tomorrow Low/W C/F
Almaty	33/91	14/57 s	34/93	21/70 s
Bali	30/86	23/73 s	30/86	21/70 s
Bangkok	31/88	24/75 t	33/91	26/79 c
Beijing	28/79	16/61 pc	28/82	19/66 s
Bombay	28/82	23/73 r	29/82	24/75 c
Calcutta	31/88	24/75 t	31/88	25/77 c
Chiang Mai	31/88	23/71 r	30/86	24/75 sh
Colombo	29/84	24/75 sh	29/84	25/79 c
Hanoi	32/89	25/79 r	32/89	27/80 s
Ho Chi Minh	31/88	23/73 r	31/88	24/75 r
Hong Kong	31/88	25/77 pc	30/86	26/79 pc
Islamabad	41/106	25/77 s	39/100	23/73 t
Jakarta	31/88	23/71 s	31/88	23/73 pc
Karachi	33/91	26/77 s	33/91	26/79 s
K. Lumpur	32/89	23/71 c	31/88	23/73 c
K. Kinabalu	31/88	23/73 pc	31/88	24/75 c
Manila	30/86	23/73 r	30/86	24/75 c
New Delhi	37/99	26/79 s	34/93	24/75 sh
Phnom Penh	31/88	23/73 r	31/88	24/75 t
Phuket	31/88	24/75 r	33/91	26/79 s
Rangoon	29/84	23/73 r	29/82	24/75 c
Seoul	29/84	23/73 r	29/84	19/66 sf
Shanghai	33/91	27/80 pc	33/91	25/77 pc
Singapore	30/86	22/71 c	31/88	23/73 pc
Taipei	32/89	26/77 c	32/89	25/77 pc
Tokyo	28/82	26/79 c	31/88	26/79 c
Vientiane	29/84	22/71 sh	29/84	23/73 sh

Africa

Algiers	37/99	22/71 s	32/89	19/66 pc
Cape Town	18/64	8/46 pc	21/70	9/48 s
Casablanca	25/77	21/70 pc	27/80	21/70 sh
Harare	24/75	12/53 pc	25/77	13/55 pc
Lagos	29/84	22/71 sh	27/80	23/73 c
Nairobi	17/62	10/50 pc	26/79	12/53 pc
Tunis	32/89	17/62 s	32/89	21/70 s

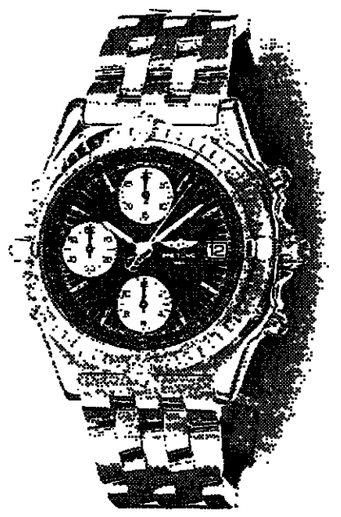
Latin America

Buenos Aires	17/62	7/44 pc	17/62	7/44 pc
Caracas	28/82	22/71 c	28/84	23/73 pc
Lima	21/70	17/62 pc	22/71	18/64 pc
Mexico City	23/73	13/55 t	24/75	13/55 pc
Rio de Janeiro	24/75	18/64 pc	26/77	19/66 pc
Santiago	17/62	6/43 pc	18/64	6/41 sh

Oceania

Auckland	13/55	6/43 pc	13/55	8/46 pc
Sydney	21/70	16/64 r	23/73	13/55 sh

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THE AMERICAS

POLITICAL NOTES

Foley and Others Named as Envoys

WASHINGTON — Moving to fill some of the many vacant positions in his administration, President Bill Clinton has announced his intent to nominate 19 people, including the former House speaker, Thomas Foley, to ambassadorships and other top government jobs.

As expected, Mr. Foley, currently a partner at the law firm Akin, Gump, Strauss, Hauer & Feld, was selected to become ambassador to Japan, and a former State Department spokesman, Nicholas Burns, was named to Greece. *(WP)*

Clintons at Night: 'The Usual Cast'

EDGARTOWN, Massachusetts — "I've lost count," confessed William Styron, the writer, when asked how many times he and his wife, Rose, had dined with President Bill Clinton and his wife during the first two weeks of the president's vacation here.

As the Clintons have hopped from party to party around this island, it has seemed as if the same people have picked up each evening and hopped along with them. Mr. Clinton's aides have started referring to his companions as the "usual cast."

The socializers on Martha's Vineyard included Vernon Jordan, the Washington lawyer; Carly Simon, the singer; Katharine Graham, chairman of executive committee of The Washington Post Co.; Diane Sawyer, the television journalist, and Richard Friedman, the Boston developer who has lent the Clintons his 20-acre estate here. *(NYT)*

Quote / Unquote

Hillary Rodham Clinton, who joined her husband for a round of golf over the weekend — something that happens about once every three years — as she stepped up to the first tee under the gaze of news cameras and more than a dozen waiting golfers: "I don't want to do this."

And after she whacked the ball a good 40 yards: "Yea! I did hit it!" *(AP)*

Study Cuts Into High Estimates of Illegal Mexicans in U.S.

By Sam Dillon
New York Times Service

MEXICO CITY — The first formal migration study to be sponsored by the U.S. and Mexican governments has concluded that the number of undocumented Mexican workers who have settled in the United States in this decade is far lower than some politicians have suggested, only about 105,000 a year.

Drawn from a two-year analysis of U.S. and Mexican census and other data, the figure is the first authoritative estimate of the net annual flow of illegal Mexican workers into the United States — an issue that has been at the center of a political and academic dispute on both sides of the border.

During the last presidential campaign in the United States, some conservatives made immigration a key subject of debate, with lurid portrayals of an America overrun by illegal Mexicans, a million of whom were said to pour across the border each year, taking jobs from U.S. citizens and driving up welfare costs.

The new estimate appears alongside a series of other groundbreaking conclusions in a new Binational Study on Migration. The document was commissioned by Presidents Bill Clinton and Ernesto Zedillo in early 1995. It brought together 20 prominent demographers and scholars — 10 Mexican and 10 American — for two and a half years of research, field work and analysis.

"No controversy ever really ends, so it would be ingenuous for us to think this will resolve all the disputes over migration," said Francisco Alba Hernandez, a demographer at the Colegio de Mexico who took part in the study. "But this is our attempt to arrive at the most reasonable overview, based on the facts available, instead of just throwing numbers around."

The study was circulated Friday to Secretary of State Madeleine Albright, Attorney General Janet Reno, Foreign Minister Jose Angel Gurria of Mexico and other senior officials, and is expected to be made public Tuesday. A contributor to the study provided The New York Times with its executive summary and key chapters.

Migration is one of the most contentious issues dividing Mexico and the United States, and for three decades each government has molded policies to suit its own needs. The joint study is part of a shift toward increased cooperation, officials said.

"We have focused on protection of migrants' rights," Mr. Gurria said in a recent interview, "and you in the United States have focused on containment, meaning stopping them with physical obstacles or more agents or whatever. Now we're trying to find common interests, to develop a few common approaches, and just deciding how we are going to manage our differences over the things we cannot agree upon."

These were among the study's conclusions:

- Migrant workers in the United States, both those who are there legally and illegally, most of whom in the past have returned to homes in Mexico at least once a year, are tending to stay longer north of the border. "The rate of back-and-forth movement seems to be slowing," the study concludes.
- The average income of Mexican migrants has dropped during this decade. In 1996, 11 percent of recently arrived families headed by a Mexican-born person had incomes below $5,000, compared with 5.5 percent in 1990.
- Mexican migrants are no more likely than poor Americans to receive welfare. But many local governments pay more in services to Mexican households than they receive in taxes, largely because the migrants, earning little, pay little. The largest public expenditure is for education.
- The most important direct result of the migration is the money that migrants send home to Mexico, estimated at $2.5 billion to $3.9 billion each year. That is the equivalent of about half the direct foreign investment in Mexico, the study says.
- The migration's primary beneficiaries are the migrants themselves, as well as American business people, farmers and consumers. The U.S. economy grows through employment and consumption generated by the migration. But the study adds, "We caution against overly simplistic conclusions about costs and benefits, and note that the perspectives on the balance differ in each country."

If the study itself is a sign of the two governments' increasing willingness to work together on migration, sharp differences remain.

Just last week, for instance, the United States began the latest in a series of border crackdowns, this one focused on channeling hundreds of new U.S. Border Patrol agents to the lower Rio Grande Valley, where many migrants have been crossing in recent months.

The Mexican government reacted angrily, convening an urgent meeting of its border-based consular officials in San Antonio to discuss ways of protecting migrants.

The two countries also have hotly disputed migration statistics. The Mexican-born population living in the United States numbers 7 million to 7.3 million, of whom 4.7 million to 4.9 million are legal residents and 2.3 million to 2.4 million are "unauthorized residents," the study says.

U.S., Finding a Cancer Risk In Some Laxatives, Urges Ban

By Curt Suplee
Washington Post Service

WASHINGTON — The Food and Drug Administration is proposing a ban on over-the-counter products containing phenolphthalein, a principal component in most varieties of Ex-Lax and numerous other laxative products, because the compound poses "a potential cancer risk to people who use this ingredient at higher than recommended doses or for extended periods of time."

Immediately after the agency publicized its intentions on Friday, Novartis, the Swiss-based pharmaceutical conglomerate that markets Ex-Lax, announced that the company was "immediately stopping manufacturing and shipping of all phenolphthalein-based products" and "voluntarily withdrawing" them from retail establishments.

Ex-Lax is among the three best-selling brands, accounting for approximately 7 percent of brand-name sales in the U.S. laxative market, which is estimated at $800 million a year. Last year, a Novartis spokesman said, Ex-Lax sales totaled $41 million. Neither of the other two top-selling products, Metamucil and Phillips, contains phenolphthalein.

"Based on all available data, including nearly 100 years of human use, we continue to believe that phenolphthalein products are safe and effective when used as labeled," the Novartis statement said, noting that "no incidence of cancer has ever been linked to phenolphthalein use in humans."

The drug agency agreed that there have been no reports of human cancer.

Approximately 15 to 20 percent of Americans use laxatives at one time or another, U.S. officials said. No one should take any laxative on a daily basis, especially one containing phenolphthalein, which can cause complications including cramps and diarrhea in high concentrations.

The agency's proposed ban, notice of which will be published Tuesday in the Federal Register, follows the recent release of studies indicating that rodents fed high amounts of the popular ingredient — between 30 and 100 times the recommended human dose — developed various kinds of tumors and, in some cases, genetic damage.

Those studies are the culmination of more than 20 years of consideration of five "stimulant laxative" agents; that is, those that stimulate the large intestine to contract, facilitating evacuation of the bowel.

Away From Politics

- **Agriculture Secretary Dan Glickman** and the Food and Drug Administration have both proposed legislation that would strengthen the government's power to recall potentially tainted meat and punish companies that violate federal food safety standards. *(WP)*
- **In a ruling that angered jurors,** a federal judge in North Carolina wiped out 90 percent of a $5.5 million fraud verdict against Capital Cities/ABC Inc. for an exposé accusing the Food Lion grocery chain of selling rotting meat. U.S. Judge Carlton Tilley reduced the award to $315,000, giving Food Lion 14 days to accept or face retrial on the punitive damages portion of the case. Jurors in January awarded Food Lion $5.5 million in punitive damages and $1,402 in compensatory damages after the exposé accused the Belgian-controlled chain of selling rat-gnawed cheese and spoiled meat. *(AP)*
- **An armored car driver suspected** of taking $22 million was arrested when he crossed the border at Brownsville, Texas, from Mexico, the FBI said. The money was not immediately recovered, and authorities do not know where it might be. The theft took place March 29 in Jacksonville, Florida. *(AP)*



Carlo Allegri/Agence France-Presse

LONG LIFE — Marie-Louise Meilleur, a world age title contender, looking on at her 117th birthday party in Corbeil, Ontario.

Deputies Defy Mexico Boycott

New York Times Service

MEXICO CITY — Opposition lawmakers have defied a boycott by the party that has ruled since the 1920s and inaugurated the first multiparty congress in modern Mexican history by themselves, throwing the nation's newborn democracy into turmoil.

In a high-spirited session Saturday, 260 deputies in the lower house, all from the four parties that make up the opposition, declared the session open, sounded the roll call, and took a vote to elect leaders for two important committees.

The seats of all 239 deputies of the governing Institutional Revolutionary Party, or PRI, which controls the presidency, were empty.

This congress is the first one in seven decades in which the Institutional Revolutionary Party does not hold a majority in both houses.

In elections July 6, the four opposition parties won 261 of the 500 seats in the lower house, the Federal Chamber of Deputies, shattering the one-party system.

Institutional Revolutionary Party legislators called the inauguration illegal and threatened to hold an alternative ceremony that would include only members of their delegation, raising the possibility of a constitutional impasse.

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THE WORLD'S DAILY NEWSPAPER

ASIA/PACIFIC

Reunify the Koreas? Nationalist Fervor Aside, Not Everyone Is Ready

By Nicholas D. Kristof
New York Times Service

KUMGOK, South Korea — Sitting cross-legged on the linoleum floor of her living room, across from a plastic basketball hoop with a picture of a beaming Michael Jordan that her son had stuck to the wall, Kim Sun Ye shrugged and wriggled in embarrassment and finally blurted out the heresy.

"For ordinary people, reunification will cause a lot of problems," said Mrs. Kim, a 33-year-old farm wife in this village near the North Korean border. "I don't honestly know if it's a good thing."

Then she giggled again in horror and paused, as if to see whether Mother Korea might strike her dead with a lightning bolt.

This heresy is becomingly increasingly common, but it still makes people profoundly uncomfortable. It challenges the holy teaching that Koreans are nurtured on: that the overwhelming national goal must be to reunify with North Korea as soon as possible.

All across South Korea, on city streets and in villages like this, ordinary people like Mrs. Kim are beginning to voice such doubts as they think about reunification as something that might actually happen any time because of the hunger and economic crisis in North Korea. And some are finding to their shock and dismay that reunification — Korea's sacred cause for half a century — is not necessarily what they want right now.

Some South Koreans are coming to regard reunification the way St. Augustine felt about virtue, in his prayer: "Please give me chastity, but not yet."

Kumgok is a village of about 700 people, with a jutting mountain of dense forests behind it and green rice paddies unfurled in front of it, about two hours' drive northwest of Seoul on winding roads flanked by tank traps intended to stop any North Korean invasion. It is just one randomly chosen village, but it seems to be torn by the same ambivalence toward the North as is the rest of the country, riven by fault lines that divide neighbor from neighbor.

Some South Koreans now regard reunification the way St. Augustine felt about virtue, in his prayer: 'Please give me chastity, but not yet.'

There are old peasants like Kim Wan Seok, who has family members in the North and yearns for reunification as soon as possible so that he can visit his old home and bring his relatives to live here in Kumgok.

Then there are women like Suh Myong Ok, who does not sound welcoming toward Mr. Kim's long-lost relatives, as she frets about the possibility of hordes of North Koreans descending on villages like this. "Just think about it," she muttered, shaking her head. "All those people flooding down here. It'd make life very difficult for us."

Shin Jin Kyun, a carpenter who lives nearby, said he felt sorry for North Koreans but suggested that their mindset is different. "It's possible," he said delicately, "that they are not so honest."

The famine that is reportedly sweeping the North is now testing the traditional patriotic mantras about all Koreans being members of the same family. The most obvious saviors for the hungry North are people in the South, and some South Koreans argue that they should be doing more for their "brothers and sisters" in the North. But for others, the talk about kinship is fine as long as it does not mean higher taxes.

"Why should we give them money?" said Lee Han Gwee, a 69-year-old widow who was sorting red peppers outside her house to make *kimchi*. "They should work for their own food and money. They have plenty of land up there."

Lee Geum Lan, a 58-year-old woman, frowned and said: "We don't even have enough food for ourselves. Why should we send it to the North?"

Yet there is sympathy for the North as well as suspicion, and arguments among the villagers are common. When Shin Il Kyun, a pudgy 60-year-old with a fringe of gray around his bald pate, suggested that after reunification it would be a mistake to allow North Koreans to vote, his neighbor, Park Ki Woon, looked at him in outrage.

"That would make the North Koreans our slaves!" Mr. Park declared, waving his hand. "South Korea would be making North Korea a colony, just as we all used to be the slaves of Japan."

Mr. Shin shook his head sharply. "If North Korea offered just one candidate for president of the reunified country, he suggested ominously, that candidate might well beat the handful of candidates who would compete from the South. "So," he added fiercely, "we could be ruled by North Koreans."

Mr. Park, a lean 44-year-old, paused and reflected on that. "Well," he said mildly, "there should be a three-to-five-year transition before holding presidential elections." In that interim, he explained, it would be best for South Koreans to rule the country.

To be sure, the two Koreas are among the most nationalistic countries in the world, and eventual reunification remains a deeply felt patriotic goal.

Mr. Park said he worried about the cost of reunification and the economic consequences, but he added a common mantra: "Everybody in Korea wants reunification to happen as soon as possible," he said. "That's obvious to everyone."

At least it used to be. In the last few years a growing number of Korean and Western studies began to look at the financial burden on West Germany from the absorption of East Germany in 1990 and began to calculate the cost to South Korea of reunifying with the North. The estimates of the cost vary, from about $130 billion up to $2 trillion, but they all suggest that the economic dislocations would be staggering for the South.

It is startling how many ordinary people in South Korea, whether on the street in Seoul or in a village like Kumgok, can knowledgeably discuss trends in Germany's post-reunification gross national product. All this has left South Koreans torn between the patriotic yearning for reunification and their reluctance to risk a surge in unemployment and taxes.

"A lot of people in private will tell me what they regard as a confession: that they want reunification, but only after they are dead," said Roy Richard Grinker, an anthropologist at George Washington University who is completing a book on South Korean attitudes toward the North.

The tangle of complex feelings toward North Koreans is raising new questions about what would happen if the two nations did reunify.

The division of the two Koreas remains the greatest remaining challenge left over from the Cold War, but the ambivalence in South Korea underscores that reunification would be an immensely complex and painful process that could require a generation to complete.

Malaysia Marks 40 Years As Independent Nation

But Mahathir Assails Foreign Speculators

By Thomas Fuller
Special to the Herald Tribune

KUALA LUMPUR — Malaysians celebrated 40 years of independence on Sunday in a nation arguably more secure and prosperous than at any time in its modern history.

But since the end of March, the country's stock market has dropped about 35 percent, and since early July its currency, the ringgit, has plunged about 18 percent against the dollar, casting a cloud over an economic growth of 8 percent or better in the last nine years.

In a speech marking the independence anniversary, Prime Minister Mahathir bin Mohamad suggested that speculators were ready to destroy the foundations of the economy.

"Today we have seen how easily foreigners deliberately bring down our economy by undermining our currency and stock exchange," said Mr. Mahathir, 71, who has led the nation since 1981. "What we have worked for in the past 40 years can be destroyed by them in a matter of weeks."

He predicted that there was a possibility the economy would not attain the 8 percent growth this year that had been forecast, and that the trade deficit might also worsen.

Referring to "ferocious animals" lurking in a borderless world, he added that "if we do not strive to protect our independence, directly or indirectly, colonialists will return to colonize us."

This in a country whose neighbors, with the exception of Cambodia, are at peace, and whose gross domestic product, after close to a decade of economic growth, stands per capita 50 percent higher than Thailand's.

Recently the prime minister has targeted George Soros, the founder of the $10 billion Quantum Fund, almost daily as the person who started the wave of speculative attacks. Mr. Mahathir has said he had proof of the American financier's involvement. Other, unidentified foreigners are blamed for selling Malaysian stocks and currency short.

"He needs to focus on Soros because he wants to send a clear signal that all he is opposed to is financial speculators — and that he is very welcoming of foreign direct investment," said K. S. Jomo, a professor at the University of Malaya.

Attacks on the West are nothing new for Mr. Mahathir. The sharp-tongued prime minister has been consistent in condemning everything from Western hairstyles to declining discipline.

What is new is Malaysia's — and Mr. Mahathir's — drive to lure foreign companies and "intelligence" workers to the country, and the notion that this goal is perhaps imcompatible with his fiery rhetoric.

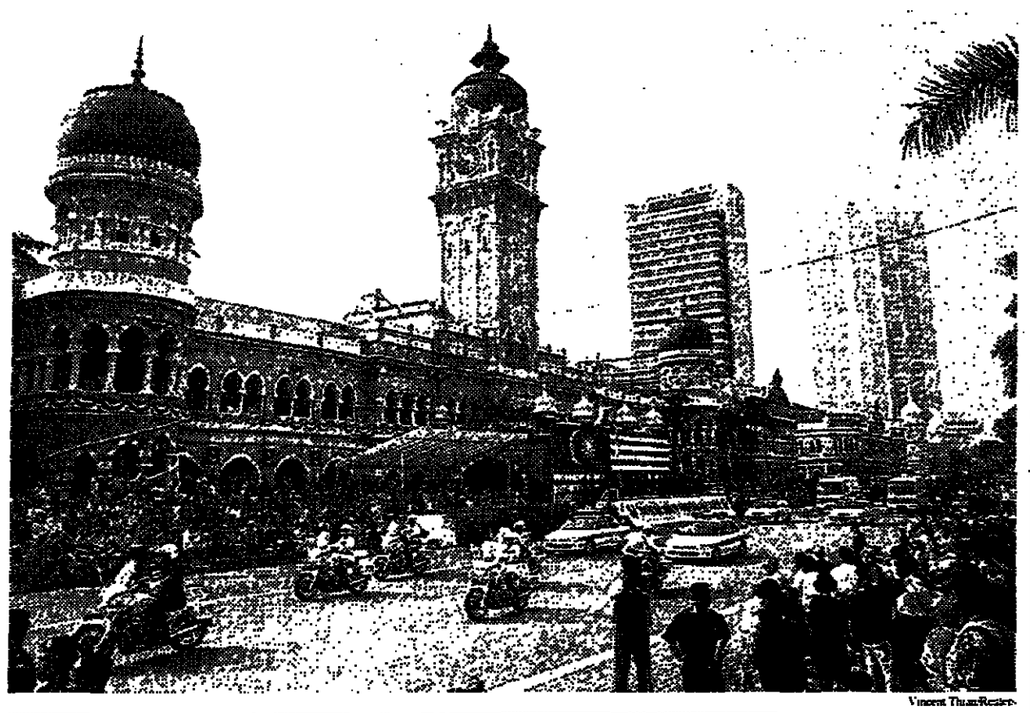
Earlier this year the prime minister visited the United States, Japan and Europe to promote the Multimedia Supercorridor, an industrial park near Kuala Lumpur now under construction. Companies like Microsoft and Sun Microsystems are committed to a role in the project, which promises to provide infrastructure for research and development centers, a multimedia university, and headquarters for multinational corporations.

"Malaysia upholds the virtues of the new world order, believing that the globe is collectively moving toward a 'century of the world,'" says a page on the World Wide Web dedicated to the project. During his travels, Mr. Mahathir has indeed echoed such views, which seem to contrast sharply with his speech over the weekend.

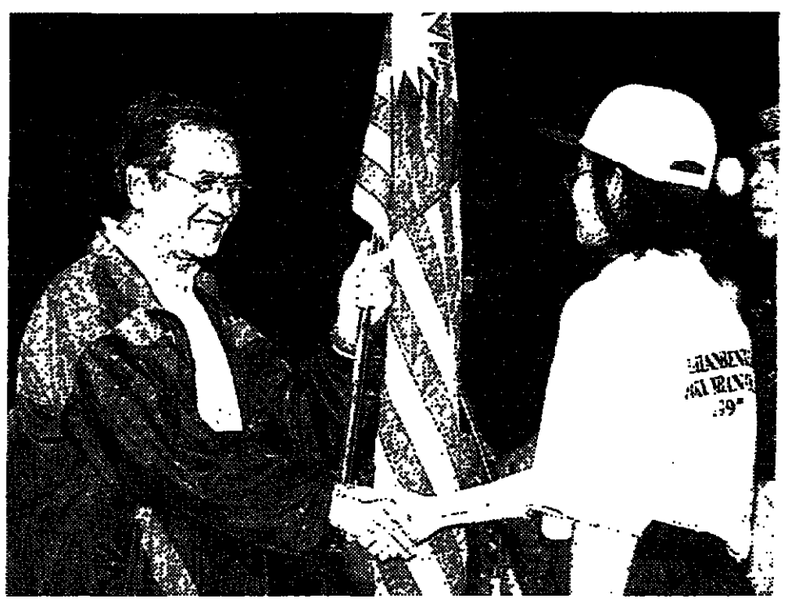
"In some ways the speech is not for foreign consumption," Mr. Jomo said. "It's basically for a domestic audience."

■ Fireworks and Parade

Fireworks brightened the skies over Kuala Lumpur at midnight Saturday as crowds at Merdeka Square hailed the country's independence from British rule on Aug. 31, 1957, Reuters reported. Early Sunday, thousands of people in colorful costumes paraded in front of the king, Tunku Ja'afar ibni Abdul Rahman, and Mr. Mahathir.



Vincent Thian/Reuters



Malaysians parading past the reviewing stand in Merdeka Square in Kuala Lumpur as the nation celebrates 40 years of independence from British rule. At left, Prime Minister Mahathir receiving the national flag — which he dubbed "Jalur Gemilang" ("Stripes of Glory") during the ceremonies. In a speech, the prime minister warned of "foreigners" whose speculations threaten Malaysia's economy.

Francois Nel/Agence France-Presse

Sihanouk Seeks Peace Talks for Warring Foes

Compiled by Our Staff From Dispatches

SIEM REAP, Cambodia — King Norodom Sihanouk said Sunday that he could never accept dictatorship in his country and called for talks soon between his ousted son, Prince Norodom Ranariddh, and Hun Sen.

He also indicated that he was likely to be succeeded by one of his younger sons rather than Prince Ranariddh, the eldest, who was deposed as co-prime minister in a coup last month.

King Sihanouk, who returned to Cambodia on Friday for the first time since Mr. Hun Sen toppled Prince Ranariddh in early July, said he would be willing to mediate in talks between the two.

"If all of you pity me, you should agree to meet each other and if you meet, I should help to be a mediator," the king said in reference to the rival factions while talking to villagers at his villa in the northwestern town of Siem Reap.

"As monarch, I have an obligation to help the nation achieve national unity, peace, stability and independence," the king said. He also appealed to both sides to stop fighting.

The king, 74, flew to Siem Reap from China, where he had been undergoing medical treatment since February.

King Sihanouk said he wanted the mediation talks to take place soon, but added that he realized Mr. Hun Sen might not be willing to meet Prince Ranariddh. "I am ready to hold a meeting," the king said. "Please do not say in a few months. Please say now."

He also said that his likely successor was Prince Norodom Sihamoni, 44, Cambodia's ambassador in Paris to the UN Educational, Scientific and Cultural Organization. Prince Ranariddh, 53, has been in exile since the coup, and faces arrest if he returns.

Under the constitution, the Cambodian monarch cannot appoint his successor, nor does the throne automatically pass to the eldest son. Instead, a state council including the president of the National Assembly, both prime ministers and several senior Buddhist clergy must pick a new monarch within seven days of the king's death. *(Reuters, AP)*

BRIEFLY

Beijing to Establish Ties With St. Lucia

BEIJING — China said Sunday that it would establish formal diplomatic ties with the Caribbean island of St. Lucia on Monday, after its decision to sever ties with Taiwan.

Beijing "highly appreciated" the decision by St. Lucia's Labor government to break off ties with Taiwan, a Foreign Ministry spokesman said. Taiwan which China regards as a renegade province, said Friday it had severed ties with St. Lucia in response to the island's efforts to court China.

The change reduced the number of states that recognize Taipei's government to 30. *(Reuters)*

Retirees in China Protest Pensions

BEIJING — About 500 retired state enterprise workers carried out a demonstration outside government offices in a southwestern Chinese city, demanding higher pension payments, a local official said Sunday.

The protest in Dujiangyan, in Sichuan Province, followed a series of outbursts of social unrest across China in recent months.

The 500 retired workers from government enterprises gathered outside the city offices in Dujiangyan to demand higher pensions as well as the establishment of a relief fund for the old, a human rights group said. They were reportedly angered after city authorities raised wages for workers in state companies in response to inflation, but did not increase pensions. *(Reuters)*

New Offer of Talks Is Made by Taleban

KABUL — The Taleban Islamic movement announced over the weekend that it had captured the town of Guldara, north of here, and announced a new offer of peace talks to halt the civil war. The Taleban-controlled Kabul radio said the proposal for peace talks, conveyed to two United Nations envoys in the Pakistani capital, Islamabad, included a halt to all air strikes if the opposition forces reciprocated.

Taleban had previously refused to hold talks with the opposition alliance unless the northern warlord General Abdul Malik released hundreds of prisoners. The new proposal is to hold separate unconditional talks with Ahmed Shah Masoud, the ousted government's military commander, and the Shi'ite Muslim faction of Karim Khalili. *(Reuters)*

Thais Pick General Who Led Crackdown

BANGKOK — Thailand's annual military reshuffle, announced on the radio Sunday, included the promotion of an officer who commanded troops during the bloody crackdown on protesters in Bangkok in May 1992.

General Chainarong Noonpakdi was promoted to armed forces chief of staff, the official radio said. He had been deputy chief.

General Chainarong was commander of the First Army Region, which includes Bangkok, at the time of the 1992 demonstrations, when tens of thousands of people took to the streets nightly to protest the appointment of a former army commander as unelected prime minister.

Troops under General Chainarong's command were sent to suppress the protests following clashes between demonstrators and police. The government said 44 people were killed. Pro-democracy groups put the death toll at more than 50 and the wounded in the hundreds. *(Reuters)*

For the Record

The United States said over the weekend that it had received no word of a feared North Korean boycott of scheduled four-party talks next month aimed at securing a formal peace on the Korean Peninsula. *(Reuters)*

SPY: *Cairo Convicts 3 Israeli Arabs and an Egyptian of Espionage*

Continued from Page 1

Egyptian-Israeli relations had been strained by Egyptian criticism of Israel's presumed nuclear arsenal and the April 1996 Israeli offensive in southern Lebanon that killed nearly 200 people, most of them Lebanese civilians.

Egypt has since taken a sharply critical stand toward Mr. Netanayahu's hard line in negotiations with the Palestinians over terms of a final peace settlement.

Earlier this year, for example, Egypt infuriated Israel by backing an Arab League resolution calling for a freeze on the trade and cultural relations between Israel and Arab states.

The Egyptian press, meanwhile, has been filled with invective against Mr. Netanyahu — depicted as a Nazi in some cartoons — that has prompted frequent protests from the Israeli and U.S. Embassies in Cairo.

Israel took particular offense at the arrest of Mr. Azam because it occurred just as Israeli officials were arriving in Cairo for an annual Arab-Israeli economic summit under sponsorship of the United States.

Egyptian officials have insisted that the case has nothing to do with politics and that the evidence against Mr. Azam was solid.

The say the defendant was in league with the two Israeli Arab women, who allegedly seduced Mr. Ismail, the Egyptian co-worker, while the Egyptian was receiving job training in Israel.

Mr. Azam provided Mr. Ismail with the women's undergarments soaked in invisible ink, according to the prosecution.

Mr. Azam, who was working as a mechanic at the textile factory at the time of his arrest, has been depicted in Israel as a hapless political pawn.

He is a member of Israel's Druze Muslim minority. He grew up in a village near the Sea of Galilee and dropped out of school in the 10th grade.

In an interview Saturday night, Mr. Netanyahu's spokesman, David Bar-Illan, said the prime minister had personally assured Mr. Mubarak that Mr. Azam had no involvement with any Israeli government agency.

"It does not inspire confidence, to say the least," Mr. Bar-Ilan said of the verdict.

■ Confusion Seen in Case

It was not immediately clear why the other defendants who were convicted received longer sentences than Azam Azam, news agencies reported from Cairo.

In presenting their defense, the attorneys representing the defendants said the men were victims of strained Arab-Israeli relations. *(Reuters, AP)*

ASIANS: *Markets Have Ability to Recover*

Continued from Page 1

and fixed-income research and strategy at Merrill Lynch & Co. in Singapore, suggests that the market turmoil is just a bit of self-examination before the next assault.

"Southeast Asia is like a very aggressive company that expanded its balance sheet much, much too fast," he said. "They will prune bad investments before they re-enter a solid growth period."

But even if Mr. Belchere is right, the slowdown has raised questions about American investors. Are they in it for the long term? For better and for worse? Or was it just a one-cycle stand?

Asian markets have soared in part because of the flood of U.S. investment, and overseas faith becomes self-fulfilling. The benchmark stock index in Manila soared to 3,447.6 points in February from 550 in 1990 in part because of overseas fund managers betting that the Philippines would become a real tiger. If Americans and Europeans now retreat and nurse their wounds, the markets and economies will still recover, but it will take longer, and they will not have the same pizazz.

Yet almost all Asia experts expect a recovery, with or without U.S. investments, based on the economies' general openness, lower tax rates and high rates of savings available for investment. They also point to strong education and support for entrepreneurship as well as the countries' commitment to growth and foreign investment.

And now, floating currencies will force most regional economies to become even more flexible.

"They have cut the link and now will have a period of strong growth and form the basis for a new business cycle," said Graham Muirhead, a fund manager and board director at HSBC Asset Management in Hong Kong.

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THE WORLD'S DAILY NEWSPAPER

Going All-Out for Karadzic's Rival

Serb President Is an Unlikely Champion of Dayton Accords

By Edward Cody
Washington Post Service

SARAJEVO, Bosnia-Herzegovina — By luck or design, the United States has found a new, potentially decisive, champion in its campaign to force Bosnia's defiant Serbs to carry out their commitments under the Dayton peace agreement, the troubled 1995 accord ending the war in the former Yugoslavia.

Improbably, the champion is Biljana Plavsic, 67, a former biology professor who is president of the Serb Republic.

Mrs. Plavsic has long been considered one of the most radical of the Serb ultranationalists who went to war in 1992 rather than be part of a Bosnian state with a Muslim majority. She cofounded the Serbian Democratic Party — the extremist Bosnian Serbs' political vehicle — and served unreservedly as vice president under Radovan Karadzic during the conflict in which his government and army were accused of committing numerous war crimes.

Now, Mrs. Plavsic has pledged to carry out the Dayton accords and is locked in a power struggle with Mr. Karadzic and his diehard followers for control of Republika Srpska, the Serb-run half of Bosnia that emerged from the war with the trappings of an independent state.

The struggle, which seems to be going her way, has given the United States and its allies an unexpected chance to see Mr. Karadzic sidelined without having to resort to a dangerous military operation to arrest him.

Mr. Karadzic, the symbol and chief instigator of Serbs' refusal to reunite with their neighbors in regions of Bosnia run by Muslims and Croats, was forced to resign as president in July of last year, opening the way for Mrs. Plavsic's election in September.

But from a position of unofficial leadership, he has provided backbone to the Serbian government, Parliament and security forces still resisting cooperation with international efforts to promote joint Bosnian institutions and allow refugees to return to villages from which they were expelled during the war's ethnic purges.

One potential solution as the reinvigorated U.S. peacemaking effort got under way was to arrest Mr. Karadzic on the war crimes charges issued by the International Criminal Tribunal for the Former Yugoslavia in The Hague.

The idea of grabbing the well-guarded Mr. Karadzic has been studied at high levels in Washington and allied capitals and, according to sources, still is under consideration. But the U.S. military consistently has been reluctant to carry out such an operation, citing the danger of casualties and the likelihood that the American soldiers in the peacekeeping force would be targets for retaliation.

Mrs. Plavsic's emergence as a foe of Mr. Karadzic's, and the steady gathering of support she has found among Serbs tired of corruption and wartime deprivation, has opened a new, less dangerous path to removing Mr. Karadzic from power. As a result, the United States and its allies in the peacekeeping operation have gone all-out to support her diplomatically, economically and militarily.

For the record, international officials maintain they are supporting the constitutionally elected president of the Republika Srpska as she exercises lawful authority. In fact, they acknowledge, they are engaged with her in a strenuous effort to diminish the power of Mr. Karadzic's allies in the government, Parliament and, particularly, the news media and the police forces, in anticipation of new elections called by Mrs. Plavsic for mid-October.

Robert Gelbard, the U.S. envoy for Bosnia, declared after meeting hardliners in Pale that "we are clearly at the most critical moment not only in the implementation of the Dayton agreement but in terms of the future" of the Serbian Republic, The Associated Press reported. He said NATO forces would not tolerate any challenges to their authority.

From her headquarters in Banja Luka, 160 kilometers (100 miles) northwest of Sarajevo, Mrs. Plavsic organized a show of loyalty last week from about half the Bosnian Serbian Army's high command. The army chief of staff, General Pero Colic, remained loyal to Mr. Karadzic, despite an offer from the U.S. military to fly him to Banja Luka.

Perhaps more important, a growing number of local police commanders have indicated willingness to follow orders from Mrs. Plavsic's newly appointed interior minister, Marko Pavic. Mr. Pavic was named to run the security forces in place of a Karadzic loyalist and hard-liner, Dragan Kijac, who had been interior minister — and still is, according to the government of Karadzic allies based in Pale, just outside Sarajevo.

On the surface at least, most of the 20,000 police in Republika Srpska still answer to Mr. Kijac. But that appears to be changing rapidly, particularly in the west. Some posts around Banja Luka have started reporting to Mr. Pavic and have promised to cooperate with a United Nations monitoring and vetting program. Now the question is whether police commanders in the Karadzic-dominated east will join the movement started in the west. According to a senior diplomatic source, commanders at Bijeljina, a farming and commercial hub that is the east's main city, have discussed switching loyalties.

If the eastern wing's police commanders do tip toward Mrs. Plavsic, that would have serious implications for Mr. Karadzic's safety and ability to move about.

If Mr. Karadzic were to exit the political stage, the level of resistance from his allies in the government and Parliament would probably drop sharply. That would leave the leadership to Mrs. Plavsic and, U.S. officials hope, open the way for increased cooperation in the difficult task of building the joint Bosnian institutions agreed on when the guns fell silent in late 1995.

This, however, is far from certain given Mrs. Plavsic's past, according to diplomats with long experience in Bosnia. She once endorsed a Karadzic idea to wall off Muslims in Sarajevo, they recall, and was considered among the most difficult of the leaders of the Bosnian Serbs to deal with during the war.



Drago Vegaric/Agence France-Presse

The U.S. envoy for Bosnia, Robert Gelbard, with the president of Republika Srpska, Biljana Plavsic, after weekend talks in Banja Luka.

Europe's Pensions: Will Generation X Pay the Bill?

By Craig R. Whitney
New York Times Service

PARIS — The "contract between the generations" that underlies most national pension systems in Europe, as well as Social Security in the United States, is headed inexorably for trouble, in less than a decade in many countries.

When the post-World War II baby boom generation retires, younger generations may not be able to keep their part of the bargain. In most developed countries, people are living longer while having fewer children, spelling disaster for "pay as you go" pension systems that tax current workers to finance the retirement of their elders.

The problem is even more acute in Europe than in America, because Europeans rely more heavily on government pensions. And Europeans of the generations that experienced World War II and its aftermath regard the generational contract as part of a sacred commitment to eliminate the economic insecurities and injustices that helped spawn that conflict.

In a hedonistic, materialistic age that takes peace for granted, "pay as you go" pension systems are soon going to require young people to sacrifice a good part of their own well-being to keep their elders living in style. Will they want to?

Don't bet on it, according to the 29-nation Organization for Economic Cooperation and Development in Paris, which is encouraging its members to start thinking now about switching to pension systems financed by investment plans. Switching isn't easy.

In 1995, when a conservative government in France announced that it would require locomotive engineers on the state-operated railroads to work beyond the age of 50 — like everyone else — before they could collect pensions, a national transportation strike shut down the country until the government backed off. Most people, according to polls, supported the strikers, thinking the government was trying to weasel out of a half-century-old commitment to public servants.

This June, the French replaced the conservative government with a Socialist one that immediately canceled tax incentives for private retirement investment plans.

The French system, too, is headed for trouble. French pensions pay retirees about 70 percent of their average wages. Right now, with about three workers for every person drawing a pension, financing pensions requires an average payroll tax of about 25 percent of gross salary, with employers paying more than employees.

But in 2015, France will have only two workers per retiree; by 2030, according to recent projections, 30 million French workers and their employers will be expected to finance pensions for 18.6 million retirees. Pure "pay as you go" would mean pure economic pain for those paying.

The curve is similar in Japan and Germany, Italy and most other European countries except Britain, where since the 1980s 5.5 million people have opted out of the state system, taking advantage of tax incentives offered by Conservative governments to encourage private investment plans.

The French and other Europeans consider their social benefits as rights, and governments, mindful of the French experience in 1995, are skittish about paring them. The result is that in most countries, few people are even aware of the looming gap in pension funding.

The most obvious solution is what Conservative governments did in Britain: encouraging people to provide for themselves, using Social Security as a fallback. But people can feel abused when, as in Britain, governments change and the incentives for private investment are reduced.

BRIEFLY

100 Nations Gather On Banning Mines

OSLO — More than 100 countries meet here Monday to begin drafting a treaty for a total and immediate ban on anti-personnel mines, which is due to be signed in Ottowa in December.

Russia and China will not take part in the discussions, which are due to continue until Sept. 19.

The conference of foreign ministers is part of the so-called "Ottowa process," an initiative by Canada to encourage countries to voluntarily renounce the production, sale, stocking, transport and use of the weapons. It is estimated that more than 110 million anti-personnel mines are currently deployed in 62 countries. *(AFP)*

Turkish General Warns Cyprus

ANKARA — A senior army commander was quoted Sunday as saying Turkey would bomb Russian ground-to-air missiles in Cyprus if the weapons ordered by Greek Cypriot officials reached the divided Mediterranean island.

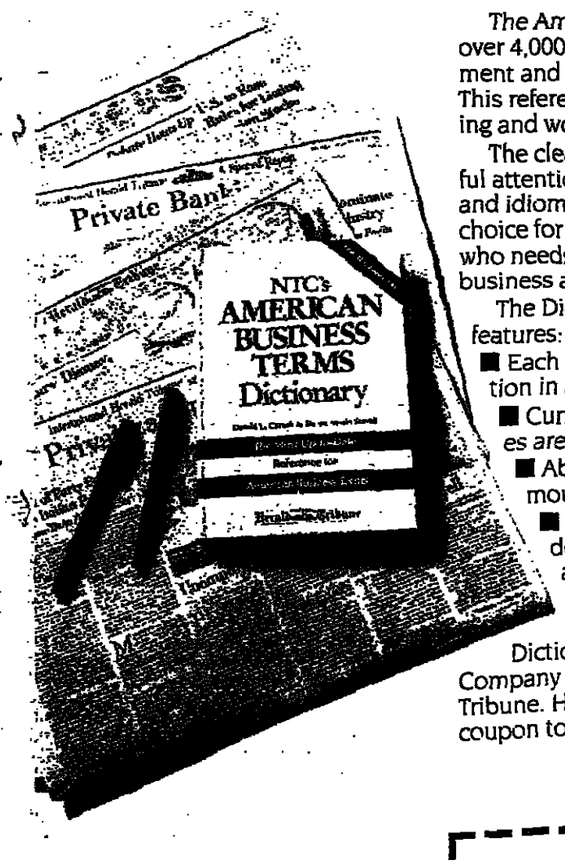
"If the missiles reach the Greek Cypriots despite our efforts to prevent their deployment, the government will make a decision and we will hit them," the unidentified general told journalists at a reception Saturday, Turkish newspapers reported. Greek Cypriots officials said they would buy the missiles to improve air defenses against a possible Turkish attack. But Ankara says the weapons are a threat to Turkish Cypriots. *(AFP)*

Germany to Pay Czech War Victims

PRAGUE — The Czech Republic and Germany are holding secret talks on financial compensation to Czech Holocaust victims, the Czech newspaper Mlada fronta dnes reported.

The daily said in its Saturday edition that the first round of talks had begun last week, and were aimed at reaching an agreement in time for a visit to Prague in October by Foreign Minister Klaus Kinkel of Germany. The Czech Foreign Ministry refused to make any comment on the article. *(Reuters)*

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THE WORLD'S DAILY NEWSPAPER

Herald INTERNATIONAL Tribune

PUBLISHED WITH THE NEW YORK TIMES AND THE WASHINGTON POST

Bosnian Serbs Waver

U.S. troops and other NATO peacekeepers came under attack last week from a mob of angry Serbs. The riot, which injured two U.S. soldiers, is bound to raise fears that the force is being sucked into a Somalia-style entanglement. But Bosnia is not Somalia, and recent events, while not without danger, allow for some optimism.

The Dayton accords were intended to stitch together a nation torn apart by 46 months of terrible war and genocidal ethnic persecution. A Muslim-Croat federation, on the one hand, and a Serbian republic, on the other, were each given considerable autonomy, but were also each expected to work together toward the creation of national institutions. But on the Serbian side, the former president and indicted war criminal Radovan Karadzic and his supporters have managed to stall any progress, working against the peace accords and the NATO peacekeepers.

Two important things now appear to be changing. Most important is that many Serbs seem to be growing tired of Mr. Karadzic and his corruption and as a result are more inclined to support his successor, President Biljana Plavsic, herself a Serbian nationalist but one who is willing to support the Dayton agreement.

U.S. officials say statistics back up Serbs' feeling that they are growing more isolated and impoverished, thanks to Mr. Karadzic's defiance, while their neighbors begin to recover from the war. Since war's end, the total economic output in the Muslim-Croat Federation has doubled — reaching by the end of this year something like half its prewar level — while the Serbian republic languishes. Unemployment in the federation has dropped from 90 to 50 percent, while among Serbs it remains at 90 percent. And no wonder. Barely 3 percent of last year's $1.36 billion in official reconstruction aid to Bosnia, from America and elsewhere, went to the Serbian republic.

The second change is NATO's more vigorous commitment to enforce the Dayton accords. In July British forces arrested one alleged war criminal and shot another who resisted arrest. Western officials have made clear that reconstruction aid will begin flowing if Mrs. Plavsic wins out in her power struggle with her predecessor. On Thursday, the day Karadzic supporters rioted against NATO troops, 300 Serbs in another part of town were attending a seminar on how to qualify for Western small-business loans. And NATO troops increasingly have bol-stered Mrs. Plavsic's forces as they gain control of local police stations and television transmitters.

This greater activism is not without risk, as the two injuries suggest. Mr. Karadzic's allies have been brazenly inciting anti-NATO rioting on radio stations they control. Terrorist attacks could increase. There are dozens of ways Dayton could fail, particularly as long as NATO troops remain hobbled by the U.S. commitment to withdraw by next summer. But the more reckless course, in the long run, would be to let the war criminals run free. Economics and war weariness are turning a growing segment of the population toward peace. NATO is right to support and encourage that trend.

— THE WASHINGTON POST

The Sad Espy Case

It is sad to see a young politician's promising career go down the drain in a personal corruption scandal. But last week's indictment of Mike Espy cannot be dismissed as the petty product of an overreaching independent counsel, as Mr. Espy's supporters portray it. He is charged with soliciting and accepting gifts from food companies that he regulated as secretary of agriculture. The total value of the gifts was small, under $40,000, but the alleged crime was a serious breach of public trust.

The independent counsel, Donald Smaltz, charges that in addition to accepting sports tickets, cross-country trips, cash payments to his girlfriend and a $10,000 contribution to his brother's congressional campaign, Mr. Espy engaged in an illegal cover-up of his activities that included ordering an employee to alter a document being sought by the Agriculture Department's inspector general.

The prosecution does not accuse Mr. Espy of granting any favors to the companies whose generosity he enjoyed. But the federal gratuities statutes cited do not require any quid pro quo, and for a very good reason. Americans have a right to have public officials who are financially unbeholden to the interests they oversee. As it is, the public may never know whether the nation's school lunch program was more inclined to buy raisins from Sun-Diamond because of the company's largesse to Mr. Espy, or if his coziness with the poultry giant Tyson Foods is the reason he hesitated to remove holdover appointees who were helping to block stricter regulation of meat and poultry.

The justice system will decide Espy's criminal liability. Meanwhile, it should be clear that this is also an indictment of the compromising money culture on Capitol Hill. Before joining the cabinet, Mr. Espy served six years in Congress. Despite strong gift bans enacted after his departure, some lawmakers still find ways to sponge off those with a financial interest in their official actions. What the special counsel is saying, in effect, is that when Mr. Espy joined the cabinet, he continued some of the bad habits he picked up as a member of the House.

— THE NEW YORK TIMES

Smoking On-Screen

Powers that be in the film industry do not take kindly to Washington pols who lecture them on morals for moviemaking. But resistance to past, often politically motivated tirades against its "depravity" in exploiting violence and sex need not be reflexively repeated in the unfolding debate over on-screen smoking. The Clinton administration has begun meeting privately with Hollywood executives to express concerns about a step-up in the number of images of such film mega-heroes as John Travolta, Julia Roberts and Winona Ryder seeking to lend nuance to their characters by lighting up cigarettes.

Fully half of major movies from 1990 to 1995 featured a central character puffing on some type of tobacco, according to one study, as do five of this summer's box office leaders.

To health advocates and many familiar with the glamorous rituals built around cigarettes in countless films before the 1964 surgeon general's report on smoking, this seems an odd instance of retrograde motion.

Since the days when Humphrey Bogart and Bette Davis ruled the fan magazines, smoking has been used to convey sex appeal, nonchalance, villainy and anxiety, as well as to give actors the all-important something to do with their hands. Directors would understandably resent any limits on their options in the realms of dramatic technique or content. And of course any government fiat that presumed to prescribe what are suitable props on a privately owned Hollywood set would be objectionable and an offense against the First Amendment.

But the issue of smoking and whether Hollywood role models have an impact on American behavior is, in a key respect, far more manageable than the issues of violence and sex. Those last two are the main attractions of much of Hollywood's fare; withdrawing them suddenly might require drastic alterations in a movie's plot and target market. An actor or actress's lighting-up ritual, by contrast, is often peripheral, and one of many alternative actions available to imaginative actors.

Jay Winsten — the media specialist at the Harvard School of Public Health, who had tremendous success with his 1980s campaign to persuade film and television producers to inject "designated drivers" in their scenes involving alcohol — says he has heard producers say they would have a difficult time walking away from such meat and potatoes as sex and violence, but that giving up celluloid cigarettes would have virtually no impact on an entertainment conglomerate's bottom line. And given the proven lethality of tobacco, it hardly strikes us as just one more initiative by the Ministry of Correctness.

The government officials concerned with youth smoking are confining their film industry approaches to jawboning. We hope that this will be enough.

— THE WASHINGTON POST

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Coming to Grips With Crime in South Africa

By Philip M. Boffey

JOHANNESBURG — Crime, or more precisely a rising fear of crime, has become the most serious threat to the success of South Africa's fledgling democratic government.

Even a short-time visitor to the country's chief commercial city is struck by its beleaguered atmosphere. Tour guides warn you not to venture out alone unless you know where you are going. Many businesses have fled to the suburbs. Whole blocks of apartments have been taken over by drug dealers.

Residents of the tonier suburbs live behind walls topped with barbed wire and protected by private security firms, their bedrooms sealed off by internal rape-prevention gates.

The statistics are appalling. South Africa's murder rate is eight times that of the United States, its rape rate three times as high. But the crimes that most disturb residents are brazen carjackings, hijackings and robberies that can hit literally anyone.

The president of the nation's top constitutional court was robbed at gunpoint in his own driveway. The police superintendent of a crime-ridden slum was robbed of his car and valuables by gun-toting thugs.

Various police stations have been looted of an automated teller machine, a supply of cash and diamonds, and electronic equipment in what were either brazen robberies or inside jobs.

The only encouraging trend is that crime is no longer spiraling out of control. The latest quarterly figures show all categories of serious crime either holding steady or declining, albeit at high levels.

Government officials are not certain whether crime has really got a lot worse than under the previous apartheid regime or has simply invaded previously white areas that had been protected by a repressive police state.

Some officials contend that the problem has been exaggerated. But there is no doubt that fear of crime is having an adverse impact.

People who emigrate cite it as one of their reasons for leaving. Businesses cite it as a deterrent to expanding their operations. Government officials fear that it may deter badly needed foreign investment.

"Crime is probably the most serious obstacle in the path of our political, economic and social transformation," says Azhar Cachalia, the central government's secretary for safety and security. "Democracy can only flourish where our people feel safe and in fact are safe in their homes, their businesses and their streets."

The roots of the crime problem lie deep. Widespread poverty, a 40 percent unemployment rate and appalling social conditions are a breeding ground for criminals who now have easy access to richer neighborhoods with their tempting targets. Illegal guns are plentiful, and more open borders since apartheid have allowed criminal syndicates to flood the country with drugs and to traffic in stolen cars, setting off a wave of carjackings.

The police in some areas seem overwhelmed, with detectives handling up to 80 cases at a time, four times the number deemed manageable. Some police engage in criminal activities and corruption themselves.

"So far the police have been incredibly inattentive and ineffective," says William Bratton, the former New York City police commissioner, who now runs a private consulting firm that sought to advise the South Africans on crime control.

Indeed, on a half-hour tour of downtown Johannesburg in the company of a police official, I saw little evidence of a police presence. The most visible sign of authority was in a violence-ridden suburban slum where military troops manned roadblocks and my police escort kept his gun unholstered.

The government is approaching the problem with a long-term strategy to improve the training and professionalism of police and to develop effective interaction between police and communities that have long feared and hated the men in uniform.

A business executive has been brought in to improve management and allocation of resources, and consultants have helped some police stations overcome a shocking inability to keep their police and vehicles on patrol.

At several stations I saw evidence that residents are beginning to support and help the police, even providing tips that help catch criminals. But it will all take time.

Meanwhile, some 5,000 new police officers and civilians are being hired, and the government will focus additional police resources on Johannesburg and a few other high-visibility areas that have a disproportionate impact on the nation's image abroad. That could drain resources from some of the poor black areas that helped vote the Mandela government into office.

It could be a risky political choice, but it is one that the government feels it must make if South Africa's promising democratic revolution is to succeed.

The New York Times

Remember Sept. 1: The Time for Action Is at the Beginning

By Gideon Rafael

JERUSALEM — The victims and devastations of war are recalled when it ends. Then victors celebrate and the vanquished grieve, but both mourn their losses. And perhaps both may come to admit the senselessness of the slaughter. The time to deter war, of course, is at the beginning.

On Sept. 1, 1939, 21 years after the end of World War I, Hitler launched Germany's aggression against Poland, triggering World War II. In the preceding weeks the Nazi propaganda machine had bombarded Poland with inflammatory allegations.

It accused the Polish government of a chain of terror acts against the German minority. And in its note of Sept. 3 reacting to the British declaration of war, the German Foreign Ministry described the situation as intolerable — "similar to the state of affairs prevailing in British-administered Palestine."

In fact, most of the incidents in Poland were staged by Nazi agents, culminating in the raid on the German radio station in Gleiwitz (Gliwice), carried out by a German commando disguised in Polish uniforms.

Allied entreaties, counseling moderation, encouraged Hitler in his stridency and in his belief in the decadence and irresoluteness of the West.

The annexation of Austria in March 1938 had not caused more than a ripple in the international community. In September 1938 the allies delivered Sudetenland to Hitler in Munich on a paper platter. In March 1939, the Wehrmacht marched into truncated Czechoslovakia.

The Nazi persecution of the Jews, steadily growing in vehemence, reached its high point in November 1938 on "Kristallnacht," the night the storm troopers burned the synagogues and looted Jewish stores and apartments.

The outrage aroused considerable dismay in the Western world but failed to evoke practical action, either in the form of sanctions or of granting refuge to the persecuted.

The way to deter war is not appeasement.

The fires lit that night by Hitler's goons were the prelude to the firestorm unleashed by him a year later, and which in the end devoured his thousand-year Reich.

The prewar crisis reached its climax in the last week of August 1939 with Ribbentrop's signing in Moscow of the Hitler-Stalin pact. When the news exploded in the press, I happened to be in Geneva attending the Zionist Congress. Gloom and despair descended on it.

The congress ended with a tearful farewell address by Chaim Weizmann, then president of the World Zionist Organization. Choking with emotion, he took leave of the assembled delegates with the words: "We are entering a long dark night. Who knows how many of us will be left to meet again when the dawn breaks?"

I was charged at the time with a mission by the Haganah, the Jewish self-defense organization in Palestine, to help organize in Europe what the British government called "illegal immigration."

Palestine, according to the League of Nations mandate, was to serve as a safe haven for Jews, but it was practically barred by its British administration to the stream of refugees trying to escape Nazi persecutions.

On rickety tramp steamers we embarked refugees trying to run the British naval blockade off the coast of Palestine. Those whom the Haganah landing parties succeeded in bringing ashore celebrated their escape from the yaws of the Nazi monster. They became valiant builders and defenders of Israel. Those who were captured by His Majesty's Navy were sent back to detention camps abroad.

Exactly 50 years ago, the British government initiated the most revolting deportation of all. Some 2,000 "illegals," passengers of the refugee ship Exodus, were sent back to camps in Germany.

Nothing contributed more than that inhuman act to expedite Britain's exodus from Palestine in May 1948 when newly independent Israel succeeded its administration.

Until the beginning of the war, Nazi Germany, in its desire to get rid of the Jews, encouraged their emigration, extracting from the refugees an exorbitant exit tax. The real problem, however, was not the opportunity of departure but the possibility of arrival, since most countries in the world, while commiserating with the plight of the Jews, denied them refuge.

The protocol of the heinous Wannsee Conference, held in February 1942, offers an unusual insight into the workings of the Nazi machine.

Reinhard Heydrich, the infamous head of the Gestapo, presiding over a conference convened to organize the liquidation of European Jewry, explained, when presenting the plan of the devilish operation, that since there were no countries willing to receive the Jews, the "final solution" of the problem of the Jews living in territories under German control must be carried out in a systematic and well organized way and not haphazardly, as before.

Europe would be swept clean of its Jews from West to East, proclaimed Heydrich, not encountering a single word of demurral from the assembled officials. Thereupon Eichmann's trains started to roll, the gas chambers to operate and the ovens to burn.

In the last few days of the fateful final week of August 1939, I managed to make a quick trip to Vienna to help move a shipment of refugees destined to sail down the Danube to a small Romanian port on the Black Sea. One of the ships chartered by our organization was to pick them up for their voyage to Palestine. The ship, which had previously completed a successful landing, was being outfitted in Marseille.

I returned to Paris after a short stop in Rotterdam, where another ship was waiting to sail with 1,200 refugees due to arrive from Germany on sailing day. The news of the invasion of Poland reached us in Holland, forcing us to abandon the planned rescue operation. A new assignment awaited me in Paris. I was to go to Marseille to expedite the sailing of our ship bound for Romania.

The Greek owners of the ship, amenable pirates by profession and proclivity, were hesitant to take the risk in wartime, and tried to delay the sailing as long as possible. Finally we managed to persuade them, by means of an enticing cash bonus, to weigh anchor. Leaving port with solemn promises to take on the refugees in the Romanian port of Sulina, they absconded for lucrative cabotage trade from Algiers to Tunis.

The refugees, on overcrowded Danube steamers, had reached the Iron Gate, the border between Yugoslavia and Romania. Bucharest denied them passage, and they were stranded in Kladovo. The Yugoslav authorities permitted them to disembark and hibernate in a camp on the bank of the river.

In June 1940 the German army, invading Yugoslavia, detected the refugees (who had been allowed to leave Austria) stranded in Kladovo. Instead of asking the Romanian government to allow their transit, they loaded them on trucks and dumped them on the banks of the River Sava. There a German Einsatzkommando liquidated them — Nazi slang for shooting. 800 men, women and children. One solitary survivor escaped the carnage to tell the story.

It was no more than a drop in the ocean of blood shed by Hitler Germany in which about 40 million victims — soldiers and civilians — drowned, among them one third of the Jewish people.

The way to deter war is not appeasement, and the time to deter it is at and before the beginning — in Rwanda, Algeria, Bosnia, wherever. Remember Sept. 1, so as to spare succeeding generations the need to erect new war memorials.

The writer, a former ambassador of Israel to the United Nations and a former director-general of its Foreign Ministry, contributed this comment to the International Herald Tribune.

Back From Tibet and Hoping People Will Listen

By Mary McGrory

WASHINGTON — Frank Wolf, the Republican congressman from northern Virginia, has a conscience. He assumes that his fellow Americans do, too, and that if he tells them how bad things are in countries they seldom hear about, they will do something about it.

He is inevitably considered naive. He doesn't mind. His faith in his fellow man comes from his faith in God. He is a devout Presbyterian who believes passionately in good works and has raised his five children to volunteer on behalf of the unfortunate.

Mr. Wolf is just back from another of his trips to difficult, dangerous places. This time it was Tibet, which has been groaning under the Chinese yoke. He slipped in on an ordinary tourist visa, which did not identify him as a member of Congress. Tibetans risked their lives to tell him about the oppression and religious persecution they are suffering.

His press conference afterward at the National Press Club was packed — perhaps because it is August, and the news drought is severe. He told an international audience that "China is squeezing the life out of Tibet." He added, "It is unspeakably brutal."

Mr. Wolf's success in rousing the American people is still to be seen, but he got China's attention. The New China News Agency issued a statement of outrage from a Tibetan official who accused Mr. Wolf of being a troublemaker and a bad reporter: There is no religious persecution and all is well with happy Tibetans. Mr. Wolf was, of course, delighted with additional notice to his cause.

Some reporters may have been goaded into attendance at the press conference by one of Mr. Wolf's typically reproachful letters calling on the recipient to fulfill a moral obligation by spreading the word about whatever ghastly situation he has just observed.

Last January, Mr. Wolf went to East Timor and brought back an account of killing that he thought President Bill Clinton should do something about. He later wrote to him in terms that show he has heeded the counsel of the 15th century German mystic Thomas à Kempis: "Fawn not upon the great."

In Mr. Wolf's letter of May 29, he told the president that he better shape up on East Timor because people are making connections between U.S. inaction in that wretched land and the campaign scandal of the White House raking in millions from Asians with axes to grind.

"Respectfully but with candor, Mr. President, many believe your administration has adopted or changed its policy with regard to Indonesia and East Timor because of influence exerted by the Riadys and as a result of the for profit relationship which developed between the Lippo Group and Mr. Web Hubble (sic). Press reports of Mr. Hubble's personal visit to East Timor have only fueled this belief. I do not know if this is true ... I do know, however, that we have no effective policy ... in East Timor."

Mr. Wolf gives himself a missionary's license to speak truth to the mighty. The appalling conditions he describes vindicate his frankness and his importunities.

His Virginia constituency may not relate to his anguish over such places as El Salvador, Burma, Sudan, Bosnia, Chechnya and Ethiopia, but Mr. Wolf keeps both feet on the ground — or rather, on the highway — at all times. He is chairman of the House Appropriations subcommittee on transportation, a post that gives him great power. And his constituent service — watching over the rights of the many federal workers who live in Virginia's 10th District — is famous.

His evolution from "pothole politician" to watchman on the ramparts of world freedom happened gradually. First he went to Ethiopia in 1984 with Representative Tony Hall, Democrat of Ohio, a crusader against hunger who is his best friend in Congress and a fellow member of a House Bible study group. They went to Romania together and saw misery that made them come home and promote a bill against most-favored-nation treatment for the Ceausescu government. Since then, Mr. Wolf has never looked back or lost hope.

At his press conference, he urged Americans to write letters to Tibetan political prisoners. Based on the experience with Soviet prisoners of conscience, he says the Tibetans might not get the letters, but wardens made conscious of outside observation might give better treatment.

He wants more congressional delegations in Tibet so that Chinese overlords will know that the world has not forgotten. And he can see the day when most-favored-nation status will be denied to China. The American people are way ahead of Congress, their president and the business community, according to polls. One showed overwhelming opposition to most-favored status for China, 67 percent to 18 percent.

Mr. Wolf's inspiration is William Wilberforce, a prominent 19th century British politician who spent his life working to abolish the slave trade. It took 34 years for Parliament to outlaw it, a month after Wilberforce's death. "It just takes time," says Mr. Wolf.

The Washington Post

Playing Along With Milosevic Isn't the Answer

THE U.S. government remains stuck on the notion that Dayton implementation depends on Slobodan Milosevic. The logic goes that Mr. Milosevic made Dayton happen, and that if he is not seriously engaged the Bosnian Serbs will not cooperate. In short, the nationalists and opportunists who made the war are the only ones who can make the peace.

But we do not have to be in thrall to nationalist leaders. We can expect few shortcuts from those who gave us the war. For real progress to continue, the West is not going to be able to avoid some heavy lifting, including the seizure of indicted war criminals.

— Morton I. Abramowitz, in The Washington Post.

IN OUR PAGES: 100, 75 AND 50 YEARS AGO

1897: Parisians Cheer

PARIS — President Faure returned to Paris from his visit to Russia yesterday [Aug. 31] and was accorded a reception such as none of his predecessors ever enjoyed. The gay city put on her most festive appearance and the inhabitants poured in throngs to meet their chief magistrate. Long after the presidential carriage had rolled into the Elysée, they continued to vent their delight by singing the "Marseillaise" and the Russian National Anthem. Yesterday may truly be said to have been an Alliance Fête.

1922: Belgian Scheme

PARIS — America has once again played a leading role in the settlement of a European dispute. Largely through her efforts, the Reparation Commission came to a unanimous decision to adopt the Belgian compromise. The Commission agrees to defer its decision on the moratorium request until it has completed its scheme for the radical reform of German public finances including the balancing of the budget, the reform of the currency and the issue of foreign loans.

1947: Marshall Talks

PARIS — American experts told the sixteen nations expecting Marshall plan assistance that their own production is the key to American willingness to help Europe. The American envoys including Will Clayton, Under Secretary of State for Economic Affairs, and George F. Kennan, the State Department's top Marshall planner, said that there must be an increased back-to-work effort before American aid will become available. They demand that Britain resume the pre-war exportation of coal and that France grow wheat and supervise more closely its distribution.

هكذا من الأصل

LANGUAGE

Ahoy, Snobs: What's Afoot With Effete?

By Charles Harrington Elster
New York Times Service

HERE'S a one-word vocabulary test: What is the precise meaning of *effete?* Is it (a) womanly; (b) worn out; (c) overrefined; (d) snobbish, or (e) decadent? If you're thinking (f) all of the above, you're partly right and partly wrong.

Effete comes from the Latin *effetus*, worn out by bearing children, unable to produce offspring, from *ex-*, out, and *fetus*, productive. The word appeared in the mid-1600s and was first applied to animals, plants, and soil to mean barren; past bearing.

The Oxford English Dictionary labels this sense obsolete and shows that since the late 18th century *effete* has been used figuratively, of persons, to mean weak, *ineffectual*, superannuated and, of things or systems, to mean barren of results, fruitless, unproductive. "If they find the old governments *effete*, worn out," wrote Edmund Burke in 1790, "they may seek new ones."

Effete is a victim of what I call the "sounds-like syndrome." This is when a word, usually one a bit more lofty than most people can handle, becomes confused with and then used as a pretentious substitute for another word that is similar in sound but different in sense.

If the error occurs often enough (especially on radio and TV), eventually we lose one perfectly good word with a distinct role in the language and wind up with two words that mean the same thing — one the common word, the other a meddlesome, tenacious upstart.

Here are some examples: *reluctant* (unwilling) and *reticent* (unwilling to speak); *deprecate* (disapprove) and *depreciate* (lower in value); *foreboding* (ominous) and *forbidding* (dangerous or hostile); *precipitous* (steep) and *precipitate* (sudden or rash); *fortuitous* (by chance) and *fortunate* (lucky).

These confounded soundalikes are not synonymous. Yet every day, one member of each pair is wrenched from its customary place in the language and forced to do the work of the other, as if it were a nut or bolt in a piece of machinery that could serve as well holding one part together as another.

But words are not like nuts and bolts — mass-produced, nondescript, interchangeable. They are more like the people who use them: individual, with a singular history and personality we should respect, not demean.

Why do such confusions happen?

First, because speech is largely informal. Carelessness is often overlooked and solecisms are transmitted as swiftly as the common cold.

For Americans, the confusion of 'effete' with 'elite' was implanted by Spiro Agnew.

Second, because writing, as Jacques Barzun put it, "is at the mercy of the largest number of amateurs — almost the entire population." Errors committed to print have a way of taking on an air of authority. The upshot is that people appropriate the mistakes of others without realizing it.

Finally, because people get bored using the same old words to say the same old things, they are forever looking for new ways to make an impression. This restlessness leads them to experiment with a word they have not taken the trouble to learn.

The case of *effete* is particularly complicated because it has been confused not with one word that sounds like it but with two, causing pandemonium in the dictionaries.

Judging from the OED's citations and the definitions in Webster's Third (1961), people have been confusing *effete* with *effeminate* for about 50 years, using the former as a euphemism or prissy substitute for the latter. Here's an example: On a syndicated radio show called "About Books and Writers," I heard the host ask his guest, the author of a biography of Margaret Mitchell, whether Mitchell's fiancé was effete. Yes, the biographer replied, the fiancé "had many effeminate qualities."

The other word people confuse with *effete* is *elite*. The adjective *elite* means of the first rank, choice, select. The members of *elite* society, the upper crust, are sometimes referred to colloquially as snobs. In an interview I heard some years ago on National Public Radio's "All Things Considered," *Susan Stamberg* asked *Robert Silvers* of The New York Review of Books whether he thought his publication was *effete*. Silvers acknowledged the Review was highbrow fare, but said it wasn't snobbish or exclusive and didn't deserve any such reputation.

For millions of Americans, the confusion of *effete* with *elite* was implanted by Richard Nixon's otherwise unmemorable vice president, Spiro Agnew, when in a speech assailing opponents of the Vietnam War, he uttered the phrase "an *effete* corps of impudent snobs." Almost overnight, *effete snob* became a catch phrase used by the "hawks" to belittle the "doves." *Effete* now often suggests superciliousness or self-indulgence, connotations at odds with the traditional meaning: exhausted, ineffective, worn out.

So what can we conclude is afoot with *effete?* Has its confluence with *effeminate* and *elite* boosted or depleted its vigor? Has its recent equation in dictionaries with *overrefined, self-indulgent, decadent, degenerate, pampered* and *soft* made a milquetoast of this word? After more than 300 years, is *effete* effete?

Charles Harrington Elster is the author, most recently, of "There's a Word for It!" just released in paperback by Pocket. William Safire is on vacation.

INTERNATIONAL

U.S. Asks China to Pay 4% of UN's Budget

By Barbara Crossette
New York Times Service

UNITED NATIONS, New York — The United States has asked China to consider paying 4 percent of the United Nations' regular budget to help cover the gap that will be left if Washington succeeds in having its assessment reduced to 20 percent from the current 25 percent.

China, the world's 14th-largest trading nation, now pays 0.7 percent of the United Nations' budget, which many countries believe is far too little in view of its economic strength. U.S. officials say that China has $126 billion in foreign-exchange reserves. The Chinese have just contributed $1 billion toward a bailout loan for Thailand.

Bill Richardson, the U.S. representative at the United Nations, who has just returned from a round-the-world trip, spoke with Chinese officials in Beijing about reassessing the payments scale. That process is under way in a General Assembly committee.

"We were not turned down by the Chinese on the scale assessments," Mr. Richardson said. "They said they would consider our proposal. In the past they have rejected it, so this is a plus."

In Washington, Congress and the Clinton administration have agreed on a package of international-affairs expenditures that would unilaterally reduce U.S. contributions to the United Nations to 20 percent over the next three years. In return, Congress would agree to pay a large part of the U.S. debt to the United Nations, which is running well over $1 billion.

The congressional plan is now in abeyance because of a battle over family-planning allocations that some legislators fear would go to abortions. But the plan has no legal standing at the United Nations, although it has spurred the organization toward a general reassessment.

A number of countries, including some in Europe, would like to see U.S. financial influence reduced. U.S. debts created a financial crisis in the organization last year.

Mr. Richardson, who also visited Japan, South Korea, Russia, France, Georgia and several Central Asian nations, spoke with various senior officials about a U.S. plan to add Japan, Germany and three developing nations to the Security Council, whose five permanent members are Britain, China, France, Russia and the United States.

"We got a lot of support on Security Council reform," Mr. Richardson said.

Rushdie's Hush-Hush Wedding

The Associated Press

NEW YORK — Salman Rushdie, the British author under an Iranian death threat, was married on Long Island, New York, in a ceremony attended by guests sworn to secrecy, newspapers reported over the weekend.

The bride is said to be a British-born publishing editor who has "gone through hell to stand beside Salman," the New York Post said, quoting sources who requested anonymity.

The tabloid Daily Mail in London said the twice-divorced 50-year-old author married his girlfriend of three years on Thursday in the Hamptons and they were now on their honeymoon somewhere in the United States.

The Mail, which quoted an unidentified "publishing associate," did not identify the woman or the exact location of the ceremony.

Guests, including Bill Buford, literary editor of The New Yorker, were sworn to secrecy, and none of the prominent caterers on Long Island's East End would admit to handling the affair.

The author, who has a $2.5 million price on his head, has been spending summers in the Hamptons, renting a house in the exclusive seaside area favored by celebrities. His permanent home is in Britain.

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Herald Tribune

THE WORLD'S DAILY NEWSPAPER

BOOKS

EL SID: Saint Vicious

By David Dalton. 223 pages. $21.95. St. Martin's.

Reviewed by David Nicholson

TO the list of inescapable signs that my youth is only a fading memory — thinning hair, thickening waist, the pretty girls who ignore me when I smile at them on the street — I now add this book. Something is (or was) happening here, and I don't know what it is any more than I do what goes on in the nosh concert.

What? Oh, excuse me. It's the mosh pit. And here I was thinking how nice it was of the band to provide food.

Well, then. Beating a hasty retreat from all pretensions to hipness, on to the book at hand.

This is an impressionistic biography of Sid Vicious, once the bass player (to put it charitably) of the Sex Pistols, "the archetypal rock group." The impressions are those of David Dalton, author of books about Jim Morrison, Janis Joplin and the Rolling Stones. While Dalton gives us some of what we usually expect from biographies — names, places, events — this is mostly his pungent and irreverent take on things.

If Vicious is the heart — I hesitate to say brain — of this book, the Sex Pistols are its body. They began "as a promotional gimmick to bring people into a boutique to buy torn T-shirts." That boutique was Sex, founded by onetime art school student Malcolm McLaren.

In the beginning was the name, "surreal in a deadpan way," and a trio of musicians who "eventually learned to play their instruments" — drummer Paul Cook, guitarist Steve Jones and bassist Glen Matlock. What McLaren wanted was "ciphers you could dress up and point in the right direction" and, had he stayed with the core of the band, he might have gotten his walking advertisements. But the mixture became uncontrollable when John Lydon (Johnny Rotten) and John Simon Ritchie, sometimes called John Simon Beverly but far better known as Sid Vicious (the name came from Lydon's hamster and a Lou Reed song), joined up.

Their first appearance was May 11, 1976. For reasons I make no pretense of understanding — my guess is that you had to be, oh, 17 at the time — and despite their lack of talent, the Sex Pistols quickly became famous.

Vicious was "weedy, goofy, gullible, and psychopathic. Mindlessly violent." He spat on his audience, carved messages on his chest with knives and broken bottles. At one concert he hit a man in the head with his bass. And though he seemed never to have met a drug he wouldn't take, his drug of choice was heroin.

In the end, after the Sex Pistols broke up, Vicious succumbed to a heroin overdose, but not before knifing his girlfriend, Nancy Spungen, who bled to death in their Chelsea hotel room.

I suppose that if you were there, and part of all this, you might find it intriguing or at least in some way comprehensible. I don't, but then again, as I've said, you probably had to be 17 to get it. Be that as it may, Dalton does an admirable job of trying to explain it, and there is a certain hypnotic quality to the story that is akin to watching someone standing in the path of an onrushing train.

David Nicholson, a Washington writer, wrote this for The Washington Post.

BRIDGE

By Alan Truscott

MANY bridge players are also golfers and there is some overlap of terminology. Par is a satisfactory score at both games, a term borrowed by bridge from golf. And the golfers borrow "ace" from the bridge players to represent a hole in one. But golf does not have a Namyats or a Yarborough, and bridge does not have a Mulligan — a replay after an errant shot on the first tee — or a divot.

Golfers are sometimes driven to the card table by unseasonable weather. When the Florida temperature fell to 40 degrees F. in the winter of 1995-96, a foursome at the Boca Rio Club in Boca Raton decided to sit. On the first deal, North-South zoomed into six diamonds after using the Gerber convention to ask for aces.

Sitting East was Andy Arkin of Manhattan, who now cursed the fates that had given the A-K of clubs to him and not his partner. He doubled with two faint hopes: it might help his expert partner to find a club lead, and the opponents might beat a nervous retreat to six no-trump.

But neither happened. South redoubled, and made 12 tricks when West led a spade. West no doubt hoped that his partner held a spade void, and that was not impossible, though unlikely. It would have meant that North-South held an eight-card spade fit and had shown no interest in that suit.

There were two arguments in favor of a club lead that are perhaps will-o-the-wisps. In similar auctions when no-trump is doubled the double suggests a minor-suit lead. And since a Lightner double of this kind tends to suggest a lead of a suit bid by an opponent, a lead of a suit bid artificially, in this case clubs, is perhaps the next-best thing.

After the actual spade lead, South should have made a redoubled overtrick by taking the spade king, crossing to the diamond ace and cashing the spade ace. Then ruffing a spade and running all the trumps squeezes West.

When it was all over, Arkin asked the question usually posed on the first tee: "Can I have a Mulligan?"

Bridge tradition overcame golf tradition. The answer from North-South was hearty laughter and a resounding "No."

NORTH (D)
♠ A 10 7 2
♡ A Q 6 3
◇ A 3
♣ Q 9 8

WEST
♠ J 8 5 4 3
♡ J 9 4 2
◇ —
♣ 10 7 6 2

EAST
♠ Q 9 8
♡ 10 8 5
◇ 9 7 6 2
♣ A K 5

SOUTH
♠ K
♡ K 7
◇ K Q J 10 8 5 4
♣ J 4 3

Neither side was vulnerable. The bidding:

North	East	South	West
1 N.T.	Pass	4 ♣	Pass
4 N.T.	Pass	6 ◇	Pass
Pass	Dbl.	Rdbl.	Pass
Pass	Pass		

West led the spade four.

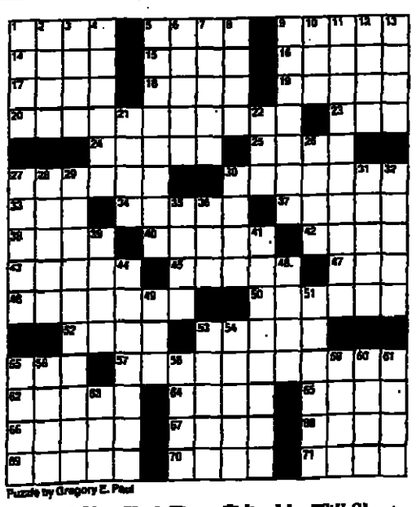
CROSSWORD

ACROSS

1 Destine to disaster
5 Pepper's partner
9 Fix (in)
14 — Mayor
15 Pop singer Brickell
16 TV's "Kate & —"
17 Word with land or critical
18 Score before 15
19 One who raises a stink?
20 Famous Wall Street panic
23 Reverse of WNW
24 De-squeaked
25 Travel far and wide
27 Make war
30 Modern refrigerators do it automatically
33 Prefix with cycle
34 Actor Davis
37 Field enclosure
38 Marksman of Swiss legend
40 Exodus mountain
42 Mideast's Gulf of —
43 Spud
45 Skin: Suffix
47 Yucatán year
48 Well-read
50 Kind of piano
52 Deftness
53 Faint, as *through* ecstasy
55 Sit-ups firm these
57 1971 Steve McQueen film
62 *Officer-to-be*
64 Fountain drink
65 Overhang
66 Mannerism
67 Lackawanna's partner in railroading
68 Pavarotti piece
69 Final approval
70 Poetic contraction
71 Old Fords

DOWN

1 Slow-witted
2 Like some vaccines
3 Bones
4 Army's mule, e.g.
5 Concerned only with others
6 Idolize
7 Enraged
8 Ready to be hit, as a golf ball
9 Popular oven cleaner
10 Jan. 15 opuals
11 1957 Fats Domino hit
12 One, to Hans
13 Astronaut Slayton
21 Narc's unit
22 "All the Things You —"
26 Side squared, for a square
27 Montana city
28 Lend — (listen)
29 "Voices Carry" pop group
30 Honeybunch
31 Happening place
32 Voice above baritone
35 Team
36 Suffix with elephant
39 Helen's mother, in Greek myth
41 Charlatan
44 Italian rice dish
46 Major League brothers' name
49 Half a score
51 Temper, as metal
53 Trap
54 Poet Elinor
55 — of the Apostles
56 Theda of Hollywood
58 "You said it, brother!"
59 Bull's-eye hitter
60 Ardent
61 Yes votes
63 Frozen Wasser



Puzzle by Gregory E. Paul

Solution to Puzzle of Aug. 29

AFTER ISN ANA
MERLE NEUTRONS
ADAMOIDNTHAVETO
DOONE RIS MOI
BEE ANGIE SION
LISTENTOEVETALK
TRIAGE ANEAR
ENRY ATT RABE
SPACE BLURRY
ABOUTTHEHUSBAND
CAMS EIDER SOS
ETS POL EMIRS
SHECOULDHAVEHAD
ETCETERA ABASE
SIT SSW NATAL

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Herald Tribune
THE WORLD'S DAILY NEWSPAPER

CAPITAL MARKETS ON MONDAY

New and 'Complex' Borrowers Spice Up the International Menu

By Carl Gewirtz
International Herald Tribune

PARIS — The international capital market, setting a third consecutive record level of activity in the second quarter of this year, continues to defy predictions of imminent demise because of increased competition from deregulated domestic markets.

The international market's resilience, said the Bank for International Settlements in its quarterly report on International Banking and Financial Market Developments issued over the weekend, is due to "a qualitative change on the borrowing side."

It also forecast that the move to a common currency within Europe would result in "a broader playing field" and more intense competition between banks to win mandates to arrange new issues.

Financial liberalization, rather than prompting a return of borrowers to domestic markets, "has encouraged them to reduce costs by seeking new pockets of investment demand in the international market," the report said. It added that the global restructuring taking place "in the industrial and financial sectors has been accompanied by increasingly large and complex structures whose technical and financial requirements are more often than not met more easily in the international market-place."

The report also credited "ample global liquidity" and the continuing search by investors for higher returns for drawing new classes of investors and issuers to the international market.

This includes new borrowers such as Cyprus and Croatia and municipalities from the United States and Russia, as well as the return of old borrowers such as Ecuador and Jamaica, and the introduction of junk bonds.

Gross new issues by borrowers in emerging markets in the last quarter amounted to a record $41 billion, led by issuers from Latin America and Asia.

The report said that both the record volume of issues from emerging market borrowers as well as the introduction of new types of high-risk structures suggests that credit risk was less of a concern to investors than currency considerations. It also noted a widening spectrum of issuing currencies with the addition of the Korean won and the Taiwan dollar.

Total second-quarter gross issuance amounted to the equivalent of $264.7 billion. On a net basis, subtracting issues that matured or were prepaid, the volume of business — including short-dated commercial paper — totaled $152.1 billion, the second-highest after the net $176.3 billion of last year's fourth quarter.

Overall, with the equivalent of $3.4 trillion worth of paper outstanding at the end of the second quarter, the international market ranks as the third-largest in the world, well behind the $11.8 trillion in the United States and the $4.5 trillion in Japan. Germany is a distant fourth with the equivalent of $1.8 trillion outstanding.

The dollar's share of business in the second quarter soared to 50 percent, up from 42 percent in the previous quarter, thanks in part to financial turbulence in Asian currency markets and in part to investor caution about the planned introduction of the euro to replace the major European currencies in 1999. European currencies accounted for only 29 percent of second-quarter activity, the lowest in this decade.

The transition to the euro, the report stated, represents a challenge to the world financial industry. It will require harmonization of such market standards as the number of day counts, rate-fixing periods, business holidays, value dates as well as the determination of benchmark interest rates, which will have important implications for cash and derivatives transactions.

At present, the report noted, there are two competing projects for setting short-term euro rates, an international project in London based on a panel of 16 banks, and a Continental project based on quotes from banks whose countries adopt the euro.

"Monetary regulations, such as reserve requirements, and taxation within the group of countries participating in Emu, may cause 'domestic' euro rates to differ from international euro rates," as is currently the situation for European currencies.

The euro will be a "double-edged sword," the study said, with banks losing the protection of their traditional home currency while potentially gaining from a larger, more liquid market.

The BIS also said in its report that "the backlash against derivatives that followed a series of corporate losses is waning."

Citing the example of insurance companies forming ventures with investment banks to offer alternative insurance in the management of a variety of corporate risks, the BIS sees the expansion continuing as new users enter the market.

"The healthy economic environment, the high credit quality of counterparties, the growing use of collateral and the correspondingly low level of credit losses all combined to support market growth," which is concentrated in the custom-tailored over-the-counter market rather than exchange-traded business, the BIS noted.

Most Active International Bonds

The 250 most active international bonds traded through the Euroclear system for the week ending Aug. 29. Prices supplied by Telekurs.

Rnk	Name	Cpn	Maturity	Price	Yield
Australian Dollar					
156	Australiagov	6¾	11/15/06	102.8910	6.5600
206	Australia	12	07/15/99	113.5330	10.5700
Belgian Franc					
199	Belgium	7	04/29/99	104.7000	6.6900
British Pound					
101	Baa	4⅞	09/29/04	101.2493	4.8100
122	Abbey Natl TS	6	08/10/99	97.3750	6.1600
144	Britain	7¼	12/07/07	101.2810	7.1600
151	Fannie Mae	6.4300	03/22/01	95.3038	6.6800
166	Fannie MaeWB	6⅞	06/07/02	98.5250	6.9700
227	World Bank	7⅛	07/30/07	98.7500	7.2200
Canadian Dollar					
121	Canada	7¼	06/01/07	106.6500	6.5700
226	Canada	7½	09/01/00	106.5720	7.0400
236	Canada	7½	03/01/01	107.0687	7.0000
Danish Krone					
7	Denmark	8	03/15/06	112.3500	7.1200
18	Denmark	7	11/15/07	105.1000	6.6600
20	Denmark	8	11/15/01	110.70	7.2300
21	Denmark	9	11/15/98	105.4500	8.5300
37	Denmark	7	12/15/04	106.6700	6.5600
43	Denmark	8	05/15/03	112.7300	7.1300
45	Denmark	9	11/15/00	111.9500	8.0400
50	Denmark	7	11/10/24	100.2700	6.7800
52	Denmark	6	12/10/99	102.9500	5.8300
61	Denmark	6	11/15/02	103.3000	5.9100
90	Denmark	6	02/15/99	102.3100	5.8400
177	Denmark	5	08/15/05	96.1500	5.2500
196	Nykredit 3 Cs	6	10/01/26	91.0900	6.5900
197	Real Kredit	6	10/01/26	91.2500	6.5200
210	Denmark	7	02/15/98	101.3600	6.9100
Deutsche Mark					
1	Germany	6	07/04/07	102.4389	5.8600
2	Germany	6½	07/04/27	101.7420	6.3700
3	Germany	4½	05/17/02	98.8100	4.5500
4	Germany	6	01/04/07	102.4200	5.8600
8	Bundesobligation	4½	02/22/02	99.0960	4.5400
9	Germany	8	01/21/02	112.2500	7.0900
10	Germany	3½	06/18/99	99.2490	3.5300
11	Germany	6¼	04/26/06	104.3169	5.9900
12	Germany	8	07/22/02	113.1357	7.0700
13	Treuhand	7½	09/09/04	112.2800	6.6300
14	Germany	7¼	01/03/05	111.4233	6.6100
15	Germany	6⅞	05/12/05	108.5523	6.3300
16	Germany 94	6¼	01/04/24	92.4500	6.3300
19	Treuhand	7⅜	12/02/02	110.6925	6.6600
22	Germany	6	01/05/06	102.7550	5.8400
23	Germany	8¼	02/20/01	114.5100	7.6400
24	Germany	6½	10/14/05	106.1433	6.1200
26	Germany	5	05/20/01	101.2999	4.9400
29	Germany	4¾	11/20/01	100.0033	4.7500
30	Germany	3¾	03/19/99	99.8633	3.7600
31	Treuhand	7⅛	01/29/03	109.6200	6.5000
33	Germany	9	10/20/00	113.0775	7.9600
35	Germany	6½	03/15/00	105.4300	6.1700
38	Germany	3½	09/18/98	99.9600	3.5000
39	Germany	5	05/21/01	101.4900	4.9300
40	Germany	8½	09/20/01	111.4703	7.4000
46	Germany	5¾	08/22/00	103.7000	5.5400
47	Germany	8⅞	12/20/00	113.20	7.8400
48	Treuhand	7¾	10/01/02	112.2275	6.9100
49	Treuhand	6⅝	07/09/03	107.3600	6.1700
53	Germany	5⅛	11/21/00	102.0550	5.0200
54	Germany	6½	07/15/03	106.8500	6.0800
55	Germany	6	09/15/03	104.5613	5.7400
57	Germany	6	02/16/06	102.7600	5.8400
58	Treuhand	6½	04/23/03	106.7600	6.0900
59	Germany	6	06/20/16	97.6257	6.1500
60	Germany	5⅞	05/15/00	104.0400	5.6500
62	Germany	7½	10/21/02	110.0733	6.5900
63	Germany	8½	02/20/01	112.4100	7.5600
64	Treuhand	6⅞	06/11/03	108.7220	6.3200
66	Germany	6⅛	05/20/99	103.6900	5.9100
67	Germany	7½	11/11/04	112.4833	6.6700
68	Germany	9	01/22/01	113.7900	7.9100
71	Germany	6¾	09/15/99	105.3900	6.4000
72	Germany	6¾	04/22/03	108.0160	6.2500
73	Germany	3½	12/18/98	99.7400	3.5100
74	Treuhand	6⅝	05/13/04	107.9420	6.2500
77	Germany	6¾	07/15/04	108.1250	6.2400
79	Germany	7⅛	12/20/02	109.6135	6.5000
80	Treuhand	6	11/12/03	104.2067	5.7600
86	Treuhand	6¼	07/01/99	104.2100	6.1200
87	Germany	6⅞	12/02/98	103.8200	6.6200
88	Treuhand	6¼	03/04/04	105.4100	5.9300
91	Germany	5¼	02/21/01	102.2700	5.1300
92	Germany	8¼	05/21/01	112.9007	7.4200
96	Germany	5¾	05/28/99	103.0800	5.5800
99	Germany	5⅜	02/22/99	102.2873	5.2500
103	Germany	6⅝	01/20/98	101.2300	6.5400
107	Germany	7	12/22/97	101.1100	6.9200
108	Treuhand	5	12/17/98	101.6000	4.9200
110	Germany	8¾	05/22/00	111.2800	7.8600
112	Treuhand	7	11/25/99	106.1600	6.5900
114	Germany	8½	08/21/00	111¼	7.6400
116	Germany	7	01/13/00	106.3700	6.5800
123	Germany	8¾	07/20/00	111.7367	7.8300
125	Germany strip	zero	07/04/27	14.0400	6.7900
131	Treuhand	5	01/14/99	101.6400	4.9200
138	Germany	5½	08/20/98	102.0808	5.6300
141	Germany	5¼	10/20/98	101.7675	5.1600
142	Germany Tbills	zero	10/17/97	99.6001	2.9100
143	Germany FRN	2.8707	09/30/04	99.2200	2.8900
146	Germany	6¾	05/20/98	102.0600	6.2500
160	Germany SP	zero	01/04/24	17.7100	6.7800
159	Treuhand	6½	07/29/99	104.1700	6.0000
173	Germany	6¾	08/14/98	102.6100	6.2100
174	Cap Credit Card	5⅝	08/15/01	102.3885	5.4900
180	Germany Tbills	zero	01/16/98	98.8550	3.0300
184	Germany	7	09/20/99	105.7575	6.6200
206	Germany FRN	2.9500	04/06/00	99.7600	2.9600
209	Treuhand	5⅝	09/24/98	102.0700	5.5100
218	Treuhand	6	06/25/98	102.0800	6.0000
221	Germany	6½	02/20/98	101.3000	6.1700
229	Germany	6½	01/02/99	103.4971	6.2800
235	Germany	7⅛	12/20/99	106.4800	6.6900
240	Finland FRN	3⅛	09/16/02	100.7000	3.1700
249	Italy	5⅞	07/10/07	99.2800	5.7900
Dutch Guilder					
41	Netherlands	6½	07/15/98	102.1000	6.1200
44	Netherlands	5¾	02/15/07	100.8500	5.7000
45	Netherlands	7½	01/15/23	114.9500	6.5200
75	Netherlands	7½	06/15/99	105.8300	7.0900
84	Netherlands	5¾	09/15/02	103.6000	5.5500
89	Netherlands	5¾	01/15/04	102.9500	5.5900
94	Netherlands	7	04/15/10	114.70	6.5400
95	Netherlands	8¼	06/01/06	120.1000	7.0800
100	Netherlands	8¼	06/15/02	114.1700	7.2300
105	Netherlands	9	01/15/01	113.6000	7.9200
119	Netherlands	7	06/15/05	109.7200	6.3900
128	Netherlands	6¾	07/15/98	102.3000	6.3500
150	Netherlands	7¾	03/01/05	114.3000	6.7800
154	Netherlands	7	03/15/99	104.4000	6.7000
155	Netherlands	8¼	02/15/00	108.9500	7.5700
162	Netherlands	6½	04/15/03	106.9500	6.0800
176	Netherlands	6	01/15/06	103.1500	5.8200
183	Netherlands	6½	02/15/99	103.8000	6.5000
203	Netherlands	7	08/15/99	105.2600	6.6500
207	Netherlands	9	03/15/01	112½	7.5600
212	Netherlands	7	02/15/03	109.3000	6.4000
214	Netherlands	8¼	09/15/01	114.6000	7.6400
ECU					
82	France OAT	5½	04/25/07	97.0900	5.6600
116	France OAT	6	04/25/04	102.7000	5.8400
126	France OAT	7	04/25/06	107.4000	6.5200
140	France S T.A.N.	4½	07/12/02	97.0900	4.6300
167	Britain	4	01/28/00	98.2367	4.0700
157	France OAT	9½	03/15/02	113.0500	7.5200
199	France OAT	7½	04/25/05	111½	6.7100
205	France B.T.A.N.	6	03/16/01	103.4600	5.8000
211	France OAT	9½	04/25/00	110.8800	8.5700
217	Italy C'e	6½	09/26/98	101.5000	6.4000
233	France BTAN	5	03/16/99	100.7000	4.9700
232	France OAT	8½	04/25/22	119¼	6.9200
244	Spain	6	01/31/08	99.0000	6.0600
French Franc					
152	France BTAN	4½	04/12/99	101.3300	4.6900
153	France B.T.A.N.	4½	03/12/02	100.2900	4.7400
Italian Lira					
161	Italy	6¼	03/01/02	100.0500	6.2500
223	Italy	8½	07/01/99	103.3500	7.9800
237	Italy	6	02/15/00	99.7900	6.0100
241	Sccr2 Cap FRN	6.8850	08/15/02	100.1721	6.8700
Japanese Yen					
133	Conlmp Bk FRN	0.4531	08/22/00	99.9700	0.4500
176	World Bank	5¼	03/20/02	117¼	4.4800
193	NTT	2½	07/25/07	101.6250	2.4600
195	Exim Bk Japan	2⅞	07/28/05	106.1250	2.7100
219	Morgan Stan E	1.2800	02/27/98	99.2731	1.2900
220	Merrill Lynch	2	11/21/02	99.8089	2.0000
247	Argentina	4.4000	05/27/04	99.8750	4.4100
Portuguese Escudo					
117	Bco Invest Imob		02/28/07	101.2749	
Spanish Peseta					
102	Spain	7.9000	02/28/02	108.9040	7.2500
129	Spain	6¾	04/15/00	103.5680	6.5200
Swedish Krona					
93	Sweden	11	01/21/99	108.0563	10.1800
135	Sweden 1036	10¼	05/05/00	111.8070	9.1700
147	Sweden	10¼	05/05/03	119.6670	8.5700
168	Sweden	9	04/20/09	118.2950	7.6100
182	Sweden	13	06/15/01	124.3410	10.4600
191	Sweden	6½	10/25/06	99.7050	6.5200
U.S. Dollar					
5	Brazil Cap S.L	4½	04/15/14	92.2083	4.8800
6	Argentina par L	5½	03/31/23	73.7813	7.4500
17	Mexico	11½	05/15/26	118.9346	9.6700
25	Argentina	11⅜	01/30/17	117.9645	9.6400
27	Brazil FRN	6¹³⁄₁₆	01/01/01	99.2688	6.8600
28	Brazil	10⅛	05/15/27	99.0000	10.2300
32	Argentina FRN	6¾	03/29/05	92.5340	7.2900
34	Brazil L FRN	6⅞	04/15/06	92.0700	7.4700
36	Brazil par ZI	5¼	04/15/24	70.5625	7.4400
42	Venezuela par A	6¾	03/31/20	81.6250	8.2700
51	MexicoparA	6¼	12/31/19	80.5313	7.7600
56	Venezuela FRN	6¾	12/18/07	93.3800	7.2300
69	Russia	10	06/26/07	103.1782	9.6900
70	Brazil S.L FRN	6⁵⁄₁₆	04/15/12	83.6250	8.3000
76	Argentina FRN	6⅞	03/31/23	90.5313	7.5900
78	Brazil S.ZI FRN	6⅞	04/15/24	86.2188	7.9700
81	Venezuela par B	6¾	03/31/20	81.7500	8.2600
83	Bulgaria FRN	6¹¹⁄₁₆	07/28/11	77.9375	8.5800
85	Sallie Mae	4½	08/02/99	97.1250	4.6300
97	Mexico par B	6¼	12/31/19	80.5313	7.7600
98	Ecuador FRN	6¹¹⁄₁₆	02/28/15	75.3900	8.8700
104	Brazil S.L FRN	6¹⁵⁄₁₆	04/15/09	88.0570	7.8800
105	Mexico	9⅞	01/15/07	106.4454	9.2800
109	Canada	6⅛	07/15/02	99.2500	6.1700
111	Mexico	11⅜	09/15/16	117⅛	9.7100
113	Bulgaria	2¼	07/28/12	62.7500	3.5900
115	Argentina FRN	5.7109	04/01/01	129.1500	4.4200
120	Mexico C FRN	6.8203	12/31/19	95.1947	7.1600
124	Mexico D FRN	6¹³⁄₁₆	12/28/19	95.1236	7.1600
127	Italy	6⅞	09/27/23	96.3750	7.1300
130	Mexico par A	6¼	12/31/19	80.5313	7.7600
132	Bulgaria FRN	6¹¹⁄₁₆	07/28/24	79.1875	8.4500
134	Peru Pdi	4	03/07/17	67.3177	5.9400
136	Arg Bontes	8¾	05/09/02	101.1536	8.6500
137	Mexico par B	6¼	12/31/19	80.5313	7.7600
139	Danish Industry	6¾	06/13/01	100.7500	6.7000
145	Commerzbk Ov	5.5938	01/29/01	99.5800	5.6200
148	Mexico A FRN	6.8672	12/31/19	95.0625	7.2200
149	Chase Man FRN	5.7688	08/21/02	100.0000	5.7700
155	Argentina	11	10/09/06	113⅞	9.6600
157	Brazil	8⅞	11/05/01	103.0000	8.6200
159	Abbey Natl TS	6¼	06/30/00	99.8750	6.2600
163	Mydfa FRN	6⁹⁄₁₆	09/09/07	92.5211	7.0900
164	Toyota Motor	6¼	07/22/02	98.6756	6.3300
165	Argentina	8⅜	12/20/03	99.4606	8.4200
170	TMCC	7	06/11/07	101.3166	6.9100
171	Brazil S.L FRN	6¹⁵⁄₁₆	04/15/12	83.8850	8.2700
172	Philippines Fix	8¾	10/07/16	100.2500	8.7300
175	Russia	9¼	11/27/01	102.2500	9.0500
179	Ecuador par	3½	02/28/25	50.4903	6.9300
181	Bco Com Ext.	7½	02/02/04	93.3750	7.7600
185	Italy FRN	5.5938	05/12/02	99.8800	5.6000
186	World Bank	6	08/22/00	99.6250	6.0200
188	Bayer Vereinsbk	6¾	05/22/00	101.2500	6.6700
189	Britain FRN	5.5313	10/04/01	100.0358	5.5300
190	BtSecs Lon FRN	5.7813	08/06/00	99.7800	5.7900
192	Standard Chart	6	12/31/99	86.7800	6.9100
194	Poland Inter	4	10/27/14	85.0000	4.7100
200	British Telecom	7	05/23/07	101.3374	6.9100
201	First NatBk Chic	7	05/08/00	101.3750	6.9100
202	Canada	6¾	08/28/06	102.8009	6.5700
204	ING Bank	6⅛	08/07/00	99.5000	6.1600
213	Ecuador FRN	6¹¹⁄₁₆	02/28/25	78.4618	8.5200
215	Panama FRN	4	07/17/16	87.3750	4.5800
216	Mexico FRN	7.0546	06/27/02	100.1500	7.0400
222	Peru Front Load	3¼	03/07/17	61.3240	5.3000
224	Poland FRN	6⁹⁄₁₆	10/27/24	97.8125	7.0900
225	East Japan Rail	7¼	10/11/06	102.1250	7.1000
228	Canada	6½	05/30/00	101.0000	6.4400
230	Vattenfall Tsy	zero	08/05/98	94.0309	6.7700
231	Kellogg	6⅛	08/06/01	99.5000	6.1600
232	Canada FRN	5½	02/10/99	99.8200	5.5100
234	British Gas	zero	11/04/21	17	7.6000
239	Britain	7¼	12/09/02	103.8750	6.9800
242	Venezuela FRN	6¹³⁄₁₆	03/31/20	90.3125	7.5400
243	Korea Dev Bank	7¼	05/15/06	97.1575	7.4600
245	Finland	5⅞	02/27/06	95.3750	6.1600
246	Tricom S.A.	11⅜	09/01/04	102.2500	11.1200
249	Merrill Lynch	6½	08/21/01	99.7500	6.5200
250	Mexico	9¾	02/06/01	106.0000	9.2000

The Week Ahead: World Economic Calendar, Sept. 1-5

A schedule of this week's economic and financial events, compiled for the International Herald Tribune by Bloomberg Business News.

	Asia-Pacific	Europe	Americas
Expected This Week	**Manila:** Asian Development Bank seminar on "Emerging Asia: Changes and Challenges." Monday and Tuesday.	**Paris:** Report by Michel Delebarre, former secretary of state for the civil service and reform of the state administration, on consultations with France Telecom and its employees on the future of the company. **Voorburg, Netherlands:** Consumer price index for August.	**New York:** JP Morgan Securities conference on "Global High Yield." Thursday and Friday. **Saskatoon, Saskatchewan:** Asia-Pacific Economic Cooperation forum conference. Tuesday.
Monday Sept. 1	**Bangkok:** Consumer price index for August. **Sydney:** Reserve Bank's index of commodity prices for August. **Earnings scheduled:** First Pacific, QBE Insurance, MacMahon Holdings.	**London:** Money supply data for August. **Rome:** Hourly wage data for July. **Stockholm:** New-car registrations and household-spending data for July. **Earnings scheduled:** Optima.	**Caracas:** Inflation data for August. **Lima:** Consumer and producer price data for August. **Santiago:** Inflation data for August and industrial production data for July.
Tuesday Sept. 2	**Sydney:** Reserve Bank's monthly board meeting. **Earnings scheduled:** Southcorp Holdings, HIH Winterthur Insurance, Mayne Nickless.	**Dublin:** Government borrowing data for January-August period. **Stockholm:** Riksbank sets securities repurchase rate. **Earnings scheduled:** Lenzing, Royal Gist-Brocades, Sulzer, Ciba Specialty Chemicals, CRH.	**Buenos Aires:** Inflation and construction-cost data for August. **Mexico City:** Foreign reserves data. **Tempe, Arizona:** National Association of Purchasing Management to issue purchasing managers' index for August.
Wednesday Sept. 3	**Canberra:** Bureau of Agriculture & Resource Economics to issue crop report. **Sydney:** Economic growth data for second quarter.	**Budapest:** Unemployment data for August. **Copenhagen:** Current-account and trade data for June.	**Washington:** IMF board to decide on release of $700 million installment of three-year loan to Russia. **Washington:** Construction spending data for July. **Brasilia:** Electronic auction of coffee stockpiles by Trade Ministry.
Thursday Sept. 4	**Kuala Lumpur:** Standard & Poor's to hold briefing on credit outlook for Southeast Asian companies. **Sydney:** Retail trade data for July **Earnings scheduled:** BRL Hardy.	**Frankfurt:** Bundesbank policy council to meet on interest rates. **Oslo:** Economic growth data for second quarter. **Copenhagen:** Unemployment data for July.	**Sao Paulo:** Inflation data for August. **Ottawa:** Building permits data and help-wanted index for August. **Washington:** Factory orders for July and initial state unemployment compensation insurance claims.
Friday Sept. 5	**Manila:** Inflation data for August. **Earnings expected:** China Resource Beijing Land, Goodman Fielder, Goodwill Investment Holdings.	**Paris:** Economic growth data for second quarter. **Earnings scheduled:** Delhaize, Vitec Group, Boehler-Uddeholm, Wienerberger Baustoffindustrie, Companhia de Seguros Imperio.	**Washington:** Unemployment data for August. **Caracas:** International reserves and money supply data. **Washington:** Federal Reserve to issue weekly report on commercial and industrial loans.

Traders Gird for Signs of Inflation

Bridge News

NEW YORK — U.S. statistics showed such strong growth last week that bond market participants are back on an inflation watch, saying any sign of inflationary pressures in data this week could seriously harm bond prices.

The strong numbers last week included another increase in the Conference Board's monthly index of confidence; the big upward revision in second-quarter gross domestic product, which put first-half growth at 4.3 percent, and the unexpected increase in the index of the Purchasing Management Association of Chicago.

The data undercut gains in the price of the benchmark 30-year Treasury bond, although it still finished the week up 15/32 at 96 30/32, lowering the yield to 6.61 percent from 6.66 percent a week ago.

"The pace of growth is making people more nervous about inflationary pressures," said Michael Moran, economist at Daiwa Securities America.

Worries over inflation got an extra tweak from a big increase in the price component of the Chicago purchasers' report, which followed a significant rise in that price measure in July.

Analysts said the market's jitters meant that participants would be watching even more closely as the first comprehensive August statistics arrived next week; the National Association of Purchasing Management report is due Tuesday, and August payroll data is due Friday.

"Something big may be brewing," a bond trader said of inflation. "If the Chicago data are genuine and it shows up in other releases, that could break the tie" between a bearish and a bullish view of the markets.

U.S. CREDIT MARKETS

Arthur Micheletti, chief investment strategist at Bailard Biehl and Kaiser in San Francisco, is in the bearish camp.

"I would really focus on the above-trend growth in the U.S.," he said. "We've been getting a steady stream of positive economic news for some time now."

"We think rates will probably be going up," Mr. Micheletti added. "The economy's growing at a rapid pace, above trend, and the Fed will likely be raising rates at some point between now and the end of the year."

He said the Federal Reserve Board probably was awaiting evidence of inflationary pressures or else inflationary expectations, like a move in the bond market, in order to tighten. The rate of growth and the pickup in the price readings on some purchasing managers surveys are signs that inflationary pressures may be on the rise, he said.

The improvement in inflation over the last year reflected in large part the dollar's strength and its impact on import prices, Mr. Micheletti added.

Phil Laverson of Prudential Securities forecast a strong employment report next week. Considering the healthy data last week, he said, such a report might be enough to send the 30-year Treasury yield back above the 6.70 percent level. Once that level is broken, he said, technicians see the next support at 6.86 percent.

Mr. Laverson said he expected a 125,000 gain in August payrolls, excluding 175,000 jobs created as a result of the strike against United Parcel Service of America Inc., given the relatively low level of jobless claims. That would mean a strike-adjusted gain of 300,000, following the strong increase of 316,000 in July.

Mr. Laverson forecast a rise in the consumer price index for August due to strong increases in apparel and tuitions as well as the effect of the UPS strike.

Economic reports will start looking friendlier once the effects of the UPS strike filter out of the data, he added.

"If we get through September," he said, "everything's going to be fine."

EMU Won't Hurt Nations' Credit, Bankers Say

Bloomberg News

JACKSON HOLE, Wyoming — The advent of European economic and monetary union need not raise the credit risk of individual nations, British and French central bankers have said.

"I don't see exactly why sovereign risk would be changed with monetary union," the Bank of France governor, Jean-Claude Trichet, told central bankers and economists Saturday at the Federal Reserve Bank of Kansas City's annual symposium.

The Bank of England governor, Eddie George, expressed a similar belief. "We'll have to wait and see whether it does produce differences in sovereign credit risk," he said. "I suspect not, but we'll see." Under the Maastricht treaty, countries must meet a series of economic targets this year to be among the first round of nations joining currency union on Jan. 1, 1999.

Financial stability is the topic of this year's Kansas City Fed conference, which draws participants from Europe and the Pacific Rim as well as North and South America.

On achieving stability, Mr. Trichet said the best way for officials to achieve that goal was to keep inflation at bay. "The major preventative action for financial stability is price stability," he said.

Mr. Trichet appears to be following his own advice in France. The Bank of France's aim is to keep the annual inflation rate at less than 2 percent, and it is well on target.

In the 12 months that ended July 31, French consumer prices rose 1 percent, matching June's annual rate of increase.

Other institutions and industries also can contribute to overall stability, Mr. Trichet added. "Financial stability means stability of financial institutions and stability of markets," he said.

But that does not mean central bankers should target specific market levels, he said. "I don't see who is really likely to be the judge of the appropriate market prices in line with fundamentals," Mr. Trichet said.

New International Bond Issues

Compiled by Charlotte Sector

Issuer	Amount (millions)	Mat.	Coup. %	Price	Price end week	Terms
Floating Rate Notes						
Daiwa PB	$150	perpt.	1.05	100.00	—	Interest will be 1.05 over 3-month Libor until 2002, when issue is callable at par, thereafter 2.55 over. Fees 1 %. (Nomura Intl.)
Lehman Brothers Holding	$200	2002	0.30	99.80	—	Over 3-month Libor. Noncallable. Fungible with outstanding issue, raising total amount to $450 million. Fees 0.35%. (Lehman Brothers Intl.)
Okobank	$135	perpt.	½	100.034	—	Interest will be 0.50 over 3-month Libor until 2002, thereafter 2.00 over. Fees 0.45%. (Credit Suisse First Boston.)
Svenska Handelsbanken	$250	1998	libor	100.079	—	Interest will be the 3-month Libor. Noncallable. Fees 0.05%. (Salomon Brothers Intl.)
Bacob Overseas	DM300	2000	0.05	100.00	—	Over 3-month Libor. Noncallable. Fees 0.10%. (Commerzbank.)
Denmark	DM175	2001	0.15	100.03	—	Under 3-month Libor. Noncallable. Fees 0.125%. (Dresdner Bank.)
Fixed-Coupons						
Bank Nederlandse Gemeenten	$300	2000	6⅛	100.881	99.82	Reoffered at 99.693. Noncallable. Fees 1⅛%. (ABN-AMRO Hoare Govett.)
Deutsche Ausgleichsbank	$500	2002	6¼	99.688	99.39	Noncallable. Fees 0.25%. (Commerzbank.)
Japan Highway Public	$500	2007	6¾	99.559	99.59	Noncallable. Fees 0.325%. Denominations $10,000. (International Bank of Japan Intl.)
Landesbank Sachsen	$200	2000	5⅝	99.3925	98.16	Reoffered at 98.205. Noncallable. Fees 1⅛%. (Banque Nationale de Paris.)
World Bank	$300	2001	6¼	101.369	99.96	Reoffered at 99.969. Noncallable. Fees 1⅛%. (ABN-AMRO Hoare Govett.)
Kansai Int'l Airport	£115	2007	7⅜	99.322	99.43	Noncallable. Fees 0.325%. (Barclays de Zoete Wedd.)
Lloyd's Bank	£200	perpt.	8	99.453	91.89	Callable at par in 2023, thereafter interest is 1.90% over the 5-yr. Gilt. Fees 0.625%. (Barclays de Zoete Wedd.)
World Bank	£150	2002	4½	90.06	—	Semiannually. Noncallable. Fees 1⅛%. (Nomura Intl.)
Haindl Finance	DM200	2007	6⅝	101.945	99.23	Noncallable. Fees not available. (Bayerische Vereinsbank.)
LB Schleswig-Holstein Finance	DM500	2004	5¼	100.998	98.82	Reoffered at 99.048. Noncallable. Fees 2%. (Banque Nationale de Paris.)
World Bank	NZ$500	2000	7	99.195	99.05	Noncallable. Fees 0.15%. (Hambros Bank.)
Swedish Export Bank	Y30,000	2001	4.15	100.00	—	Semiannually. Noncallable. Redemption at maturity will be in dollars. Fees 1%. (Daiwa Intl.)
Equity-Linked						
Mitsui Mining and Smelting	Y15,000	2001	0.25	100.00	—	Callable at par in 2001. Convertible at an expected 5%. Terms to be fixed on Sept. 3. Fees not available. (Robert Fleming.)

Last Week's Markets

Stock Indexes

	Aug. 29	Aug. 22	% Ch'ge
United States			
DJ Indus.	7,622.42	7,887.91	— 3.37
DJ Util.	231.77	231.35	+ 0.18
DJ Trans.	2,870.17	2,937.02	— 2.28
S & P 100	868.94	896.93	— 3.12
S & P 500	899.48	923.55	— 2.61
S & P Ind	1,057.33	1,086.94	— 2.72
NYSE Cp	470.48	478.93	— 1.76
Nasdaq Cp	1,587.26	1,598.69	— 0.71
Japan			
Nikkei 225	18,229.42	18,650.17	—2.26
Britain			
FTSE 100	4,817.50	4,901.10	— 1.71
Canada			
TSE Indus.	6,608.30	6,709.80	— 1.51
France			
CAC 40	2,770.49	2,904.23	— 4.61
Germany			
DAX	3,906.03	4,086.01	— 4.40
Hong Kong			
Hang Seng	14,135.25	15,429.75	—8.39
World			
MSCIP	923.35	950.91	—2.90

World index from Morgan Stanley Capital Int'l Perspective.

Money Rates

	Aug. 29	Aug. 22
United States		
Discount rate	5.00	5.00
Prime rate	8½	8½
Federal funds rate	5½	5⅝
Japan		
Discount	0.50	0.50
Call money	0.46	0.44
3-month interbank	0.52	0.53
Britain		
Bank base rate	7.00	7.00
Call money	7¼	7¼
3-month interbank	7¼	7⅜
France		
Intervention rate	3.10	3.10
Call money	3⅛	3⅛
3-month interbank	3½	3½
Germany		
Lombard	4.50	4.50
Call money	3.50	3.15
3-month interbank	3.31	3.28

Gold	Aug. 29	Aug. 22	Ch'ge
London p.m. fix $	324.90	324.00	+ 0.28

Euromarts

Eurobond Yields

	Aug. 29	Aug. 22	Yr high	Yr low
U.S. $, long term	6.58	6.52	7.09	6.48
U.S. $, midterm	6.27	6.21	6.84	6.09
U.S. $, short term	6.21	6.18	6.51	5.96
Pounds sterling	7.47	7.42	7.75	7.09
French francs	4.97	4.88	6.05	4.66
Italian lire	6.46	6.43	7.79	6.26
Danish kroner	5.62	5.56	5.93	5.26
Swedish kronor	5.41	5.32	5.61	4.82
ECUs, long term	6.12	6.07	6.42	5.76
ECUs, midterm	5.39	5.33	5.55	4.76
Can $	5.74	5.69	6.51	5.68
Aus $	6.17	6.42	7.86	6.14
N.Z. $	7.61	7.66	8.39	6.96
Yen	1.58	1.64	2.15	1.58

Source: Luxembourg stock exchange

Weekly Sales

Aug 28

Primary Market	Cedel Bk $	Cedel Bk NonS	Euroclear $	Euroclear NonS
Straights	17.5	252.0	499.4	518.1
Convert.	87.0	189.1	38.0	140.8
FRNs	587.4	763.4	471.0	79.0
ECP	9,505.6	7,328.3	10,105.7	7,302.6
Total	10,197.5	8,532.8	11,114.1	8,745.5

Secondary Market	Cedel Bk $	Cedel Bk NonS	Euroclear $	Euroclear NonS
Straights	24,887.7	14,133.3	82,059.8	18,818.2
Convert.	766.8	1,000.6	3,193.7	2,724.6
FRNs	29,923.4	5,337.5	39,795.2	6,985.4
ECP	16,637.0	12,816.8	21,217.0	22,843.3
Total	72,214.9	33,288.2	146,265.7	51,371.5

Source: Euroclear, Cedel Bank

Libor Rates

	1-month	3-month	6-month
U.S. $	5⅝	5¹¹⁄₁₆	5¾
Deutsche mark	3⅛	3³⁄₁₆	3⅜
Pound sterling	7¼	7⅜	7½
French franc	3⅛	3³⁄₁₆	3⅜
ECU	4⅜	4⅜	4½
Yen	½	½	⅝

Sources: Lloyds Bank, Reuters.

Berlin Fair Showcase ... Innovators
The Internati... And Compute...

Prague Notebook

Floats and ...

CURRENCY RA...
Cross Rates

Herald INTERNATIONAL Tribune

BUSINESS/FINANCE

MONDAY, SEPTEMBER 1, 1997

Berlin Fair: Showcase of Innovators

The Interaction of TV And Computers Grows

Bloomberg News

BERLIN — The only thing that is outdated at the IFA consumer electronics fair is the event's name.

The event, which runs through Sept. 7, has grown into more than just a launching pad for the newest consumer gadgets during its 73-year history. These days it is also a showcase for the latest innovations in the telecommunications, computer, and media industries.

Visitors to this year's fair can see everything from new mobile phone models to televisions that let users surf the World Wide Web and laser pro-

CYBERSCAPE

jection systems that enable people to receive sharp television pictures on just about any surface.

The fair's evolution reflects what many industry experts see as proof of the growing interaction between the different industries and the complementary nature of the technologies they employ. It also underscores the growing role of "multimedia" — the combined use of images, sound, text and computer data.

"What we're seeing now is that broadcasters are talking to the computer industry and vice versa, whereas this was not happening five years ago," said Jens Bodenkamp, director of corporate business development of Intel Corp. Europe.

Even as developments in digital technology make it harder to distinguish between computers, televisions, and telephones, there remains considerable debate about the implications of such innovations for television manufacturers and other traditional electronics businesses. Though computers can now serve as televisions with the aid of a "TV card" that enables them to receive television signals, few are sounding the death knell for the conventional television set just yet.

"At the moment it's a battle for the eyeballs because there is another medium, namely the Internet, that's establishing itself in the market," Mr. Bodenkamp said. "But there's a long way to go before we actually see convergence."

For Schneider Rundfunkwerke AG, a German maker of television sets, the advent of new technologies is an opportunity to create new products that serve needs of increasingly sophisticated consumers, rather than a win-or-lose battle.

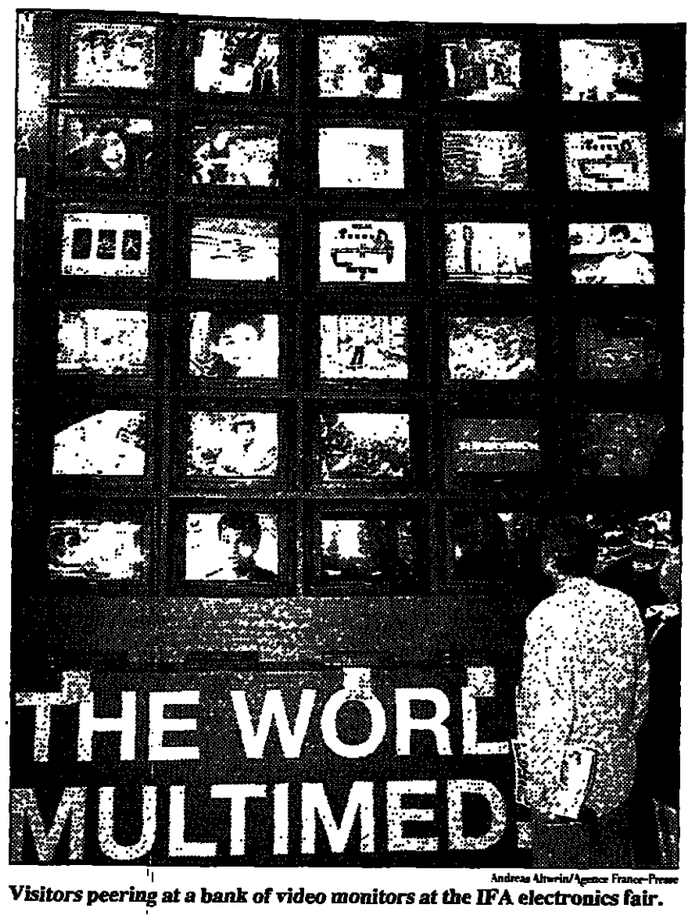
"These technologies make it possible to develop new solutions," said Schneider's chief executive, Rainer Liebich. The debate over whether the computer or the television will prevail "asks the wrong question," he said.

Both Intel's Mr. Bodenkamp and Schneider's Mr. Liebich say they expect the links currently being developed between the two industries will drive future television innovations.

Microsoft, the world's largest personal computer software maker, for example, announced in April it planned to buy WebTV Networks Inc., a Palo Alto, California-based service that users link up to the Internet through a television. Intel, the world's largest computer chipmaker, has worked with television broadcasters in the United States and Europe to enable them to supplement their programs with information from the Internet and transmit it to viewers.

These links are a recognition that the television is an easier way to spark the interest of more entertainment-focused users of multimedia, Mr. Liebich said. Homes of the future are likely to have both a personal computer and a television because the computer continues to be preferred for personal business, Mr. Liebich said.

• *Recent technology articles: www.iht.com/IHT/TECH/*



Andreas Altwein/Agence France-Presse

Visitors peering at a bank of video monitors at the IFA electronics fair.

Jakarta Targets Rupiah Speculation

Curbs on Forward Trades Aim to Brake Plunge of Currency

Compiled by Our Staff From Dispatches

JAKARTA — Indonesia announced restrictions in foreign exchange trading in the forward market Sunday in a bid to limit speculative dollar buying.

Sudradjad Djiwandono, the governor of the central bank, said the government had decided to limit domestic banks' forward foreign exchange selling against the rupiah to nonresident, or foreign, customers, with a $5 million maximum transaction amount per customer and position outstanding per bank.

The new rules took effect as of Friday.

Forward exchange transactions are purchases or sales of foreign currencies at an exchange rate at the time of the deal but with payment and delivery scheduled for a specified future date.

The move follows the plunge of the rupiah since it was floated on Aug. 14 and the sharp tightening of monetary policy the following week.

Currency dealers said the move effectively curbed the sources of funds for foreigners to buy dollars.

"This is what we have been waiting for," one Japanese bank dealer said, adding that the move followed basically what had been done in Malaysia, Thailand and Singapore.

Southeast Asian currencies have come under fierce speculative attacks in recent weeks that have knocked them down sharply and forced many governments to impose forward limits.

Dealers had mixed opinions, however, about the likelihood that the measures would stabilize the rupiah.

The chief treasurer of a local bank noted that other countries in the region had imposed similar rules but failed to stop their currencies from sliding to new lows.

"I think there could be follow-through rulings from the central bank to further close the gap of rupiah funds for offshore parties," the treasurer said, adding that offshore investors could still tap domestic funds through Asian deposits in Singapore.

One dealer in Singapore said, however, that while the move might not stop the weakening of the rupiah, it might slow its decline, as has happened with other currencies.

The rupiah plunged to an all-time low Friday, as the dollar rose to 3,070 rupiah in Jakarta before receding to finish at 2,935, up from 2,927 on Thursday. The rupiah fell more than 11 percent in August and is down almost 30 percent since early this year.

Mr. Djiwandono said local banks that had exceeded the limit would not be allowed further forward transactions until outstanding amounts were reduced to below the permitted level.

Most banks hold forward positions well in excess of the $5 million limit, and dealers said it would take time to unwind the positions.

"This move effectively kills the forward market," one said.

Mr. Djiwandono said exceptions would be given only for swap transactions for investment, including portfolios, and export-import needs.

Forward selling, he said, includes all transactions taking more than two days in which foreign currencies are sold against the rupiah.

He added that "nonresident customers" included both bank and nonbank customers.

"Exceptions for investment and export-import must be proved with supporting documents that are permanently stored with the domestic banks," Mr. Djiwandono said.

The Japanese bank dealer called the restriction an appropriate move since the government had tried hard with market-friendly instruments to contain rupiah volatility while saving the country's valuable foreign exchange reserves.

The central bank effectively floated the rupiah on Aug. 19 after removing its intervention band.

While the Japanese bank dealer expected forward rates to fall and the rupiah to recover following the move, the chief treasurer at the local bank predicted that stability might only be temporary.

"I think more effective rules might have to follow to turn off the tap for offshore," he said. *(Reuters, AFP)*

IHT Begins Printing in Israel, Its 14th Site

International Herald Tribune

PARIS — The International Herald Tribune began printing in Israel for the first time Sunday night in a new joint venture with the Israeli daily newspaper Ha'aretz.

The paper includes the entire edition of the Herald Tribune plus a daily, four-page section in English from Ha'aretz providing local coverage of the day's news in Israel, including business and economics, plus commentary and entertainment listings.

Richard McClean, publisher and chief executive of the Herald Tribune, joined Ha'aretz executives in Tel Aviv to launch the new joint venture.

A subscription campaign started two weeks ago throughout Israel has already brought results that significantly exceed the partners' projections, Mr. McClean said.

"The excellent response we've had reinforces our conviction that there is a big growth opportunity for the Herald Tribune in Israel," he added. "We're certain that we have the right partner and a product that can make an impact in the market here."

The Ha'aretz supplement will be edited by David Landau, senior editor of the Ha'aretz editorial board and a former managing editor of the Jerusalem Post.

Every Friday, in addition to the four pages of local news, the English-language supplement produced by Ha'aretz will include a 24-page entertainment magazine providing full television listings for the week, movie reviews and listings, community activities and articles on art, theater, literature, food, restaurants, Voice of Music programming and lifestyle and nightlife features.

The Herald Tribune, based in Paris, is jointly owned by The New York Times and The Washington Post. Tel Aviv becomes the paper's 14th printing site worldwide. The last previous site added was in Malaysia in March.

Prague Notebook

Floats and Floods: Czech Woes Persist

International Herald Tribune

Three months ago, the Czech Republic government nearly collapsed when the koruna lost over 12 percent in one day, forcing the National Bank to raise interest rates and float the currency.

The koruna's troubles spotlighted the failure of the Czech government to tackle head-on key economic reforms and massive demand for consumer imports that had left the currency overvalued.

The result was a government shake-up, budget cuts and a weakening of the economy. Prime Minister Vaclav Klaus introduced a package of reforms and replaced the finance, trade and industry ministers. His coalition government won a vote of confidence by one ballot and promised action on a litany of economic woes: massive current account and trade deficits, a growing budget deficit, high interest rates, falling productivity, a bloated and overpaid industrial workforce, inefficient and indebted industry, and inefficient pension and health-care systems.

Nearly three months later, almost none of that has happened. Floods that ravaged a fourth of the country in July and caused $2 billion to $3 billion in damage are partly to blame for the delay. Particularly troubling are plans to clean up the capital markets. Economists warn that unless Czech and foreign investors can feel safe investing in Czech stocks, the country will not attract the money it needs for reform.

"I've seen no progress on making the markets more transparent," said Jack Schrantz, strategist at Raiffeisen Zentralbanken in London. "I've given up hope that they are going to do anything."

Debate on the 1998 budget begins in mid-September, and opposition Social Democrats say they may call a new vote of confidence. To win, Mr. Klaus will have to cut the deficit and satisfy the subsidy-hungry farmers who support his fractious coalition partners, the Christian Democratic Union, who have hinted they could cross the floor if they do not get what they want.

Collapse Strands Vacationers

Several thousand Czech tourists found themselves stranded in resorts in Spain and Turkey late last month when three of the country's largest travel agencies collapsed. The agencies blamed the collapse of the koruna, which had wiped out thin margins in a highly competitive business. Police said some travel agency owners had simply walked off with the cash.

Meanwhile, Czech vacationers paced the waiting rooms of airports and Turkish police arrested Czech tourists who found that tour operators had not paid the hotel bills. When the Turkish owner of the Prog travel agency landed at Prague's main airport to sort out his difficulties with Czech Airlines, on whose flights he had booked his vacationers, he was arrested.

When Prog's flights finally left four days later, Czech Airlines generously offered to honor tickets on its own flights — for an extra fee. Meanwhile, as the Foreign Ministry was arranging special flights to rescue stranded travelers, the government rejected a special tax on package tours to create an insurance fund.

Bank Hits Troubling Times

Investicni a Postovni Banka AS, the third-largest Czech bank, is a troubled case. The bank reported 18.6 percent nonperforming loans at the end of 1996. "Since then a lot has happened," says Miroslav Nosal, an analyst at Patria Finance in Prague. "The quality of loans at all banks will worsen by the end of the year. Because of the flood and the economic slowdown, a lot of customers will stop paying interest and principal," Mr. Nosal said.

Many of the troubled loans were made to companies that are largely controlled by the bank's own investment funds. IPB's top managers spent several weeks in jail this summer on charges (still pending) linked to a suspicious land sale, and the investment fund arm, the country's largest, was fined recently for violating securities laws and was ordered to cut many of its ties with the bank. The funds have also been sued for allegedly diverting profits from asset sales to IPB rather than to holders of the fund.

A Czech official said last month that IPB was so overstretched it would collapse if it was not sold within two months. Eight Czech banks collapsed

See CZECH, Page 13

CURRENCY RATES

Aug. 29

Cross Rates

	$	¢	D.M.	F.F.	Lira	D.Fl	B.F.	S.F.	Yen	£	Peseta
Amsterdam	2.0275	2.2946	1.1263	0.3346	0.1151*	—	5.455*	1.3636	1.4835*	1.46	173.30*
Brussels	34.96	40.23	19.4285	6.136	2.1712*	18.337	—	25.12	9.3119	26.6875	24.465*
Frankfurt	1.794	2.9989	—	0.2971	0.1027*	0.8938	4.9435*	1.2098	1.5045*	1.2926	1.1837*
London (a)	1.4218	—	2.9195	9.8371	2.855.51	3.2865	60.2461	2.4069	195.8644	2.2516	246.562
Madrid	151.83	246.392	84.491	25.102	8.629*	75.031	4.0972	102.182	127.108*	107.419*	—
Milan	1,358.10	2,851.58	979.10	291.09	—	869.89	47.367	1,263.29	14.759*	1,265.85	11.577
New York (b)	—	1.42694	1.8085	6.0861	1,749.00	2.0375	37.25	1.4925	120.89	1.3978	151.57
Paris	6.6485	9.8875	3.3659	—	0.3438*	2.9883	0.163	4.0709	5.0436*	4.359	5.0845*
Tokyo	119.45	170.19	60.58	19.76	0.68	59.05	2.2265	80.53	—	85.95	0.7871
Toronto	1.3883	2.3497	0.7472	0.238	0.0765*	0.6807	0.3716*	0.9388	1.1478*	—	0.909*
Zurich	1.4829	2.413	0.825	0.2451	0.0847*	0.7225	0.9954*	—	1.2341*	1.0726	0.9771*
1 ECU	1.097	0.6764	1.9714	6.6283	1,930.20	2.2305	40.7031	1.63	133.042	1.5823	166.531
1 SDR	1.3597	0.8432	2.4597	8.2863	2,402.77	2.7672	50.9544	2.0225	161.259	1.9537	207.303

Closings in Amsterdam, London, Milan, Paris and Zurich, fixings in other centers: New York rates at 4 P.M. and Toronto rates at 3 P.M.

*a: To buy one pound; b: To buy one dollar; *Units of 100; N.Q.: not quoted; N.A.: not available.*

Other Dollar Values

Currency	Per $	Currency	Per $	Currency	Per $	Currency	Per $
Argent. peso	0.9999	Greek drac.	282.34	Alger. peso	7.757	S. Afr. rand	4.6985
Australian $	1.2808	Hong Kong $	7.7472	N. Zealand $	1.5547	S. Kor. won	901.75
Austrian sch.	12.623	Hung. forint	197.06	Norw. krone	7.4128	Swed. krona	7.8241
Brazil real	1.0929	Indian rupee	36.38	Phil. peso	30.15	Taiwan $	28.59
Chinese yuan	8.3185	Indo. rupiah	3000.0	Polish zloty	3.47	Thai baht	34.20
Czech koruna	33.80	Irish £	0.6721	Port. escudo	182.04	Turkish lira	166040
Danish krone	6.831	Israeli shek.	3.5158	Russ ruble	5826.0	UAE dirham	3.6725
Egypt. pound	3.3963	Kuw dinar	0.31	Saudi riyal	3.7505	Venez. bolív.	497.00
Fin. markka	5.3844	Malay. ring.	2.9288	Sing. $	1.5315		

Forward Rates

Currency	30-day	60-day	90-day	Currency	30-day	60-day	90-day
Pound Sterling	1.6219	1.6197	1.6177	Japanese yen	118.74	118.21	117.69
Canadian dollar	1.3846	1.3820	1.3798	Swiss franc	1.4783	1.4726	1.4676
Deutsche mark	1.7907	1.7870	1.7837				

Sources: ING Bank (Amsterdam); Cera Investment Bank (Brussels); Banca Commerciale Italiana (Milan); Banque de France (Paris); Bank of Tokyo-Mitsubishi (Tokyo).

Pound Won't Be Strong For Long, Banker Says

Compiled by Our Staff From Dispatches

JACKSON HOLE, Wyoming — The recent strength of the pound is not likely to be sustained in the long run, Eddie George, the governor of the Bank of England, said on Sunday.

"We've got an exchange rate that is clearly stronger than we think could be sustained in the longer term," Mr. George told a panel of top economists gathered here for a three-day symposium sponsored by the Federal Reserve Bank of Kansas City.

Mr. George said the strength of the pound in international foreign exchange markets was due to factors "beyond our control." He added, "I think you cannot find the perfect solution to that, so you actually have to hold on until that situation resolves itself."

"But I think, in doing that, you have to focus on the main objective, which is maintaining long-term price stability and the sustainability and growth of the economy," he added.

The conference chose the topic of maintaining financial stability in a global economy as its core theme this year.

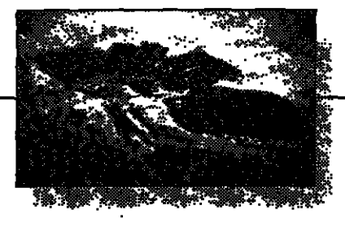
The strength of the pound "creates tension between the external and internal interests of the economy," Mr. George said.

In the past year — from Aug. 22, 1996 to Aug. 22, 1997 — the pound has risen 19.5 percent against a trade-weighted basket of currencies and 20.2 percent against the Deutsche mark. *(Reuters, Bloomberg)*

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CUIR 97 - The International Leather Fair, from the Raw Material to the Finished Product	6 - 8	SEPTEMBER 97
MIDEC - International Shoe Fashion - Paris	7 - 9	SEPTEMBER 97
EQUIP'HOTEL - International Show for Hotels, Restaurants, Cafés and Catering Industries	18 - 23	SEPTEMBER 97
POLLUTEC - 13th International Exhibition of Environmental Equipment Technology and Services for Industry	30 SEPTEMBER - 3	OCTOBER 97
INDIGO - International Exhibition of Creation and Design for Fashion and Decoration	4 - 7	OCTOBER 97
MOD'AMONT - Fashion Supplies and Trimming Trade Fair	4 - 7	OCTOBER 97
PREMIERE VISION - LE SALON - The World's Premier Fabric Show ©	4 - 7	OCTOBER 97
EQUIP'AUTO - 13th International Exhibition of New Technologies of Original Equipment, Spare Parts, Accessories and Garage Equipment	15 - 20	OCTOBER 97
BATIMAT - International Building Exhibition	3 - 8	NOVEMBER 97
INTERCLIMA - International Heating, Refrigerating and Air-Conditioning Exhibition	3 - 8	NOVEMBER 97
INTERSELECTION - The International Exhibition for Volume Retail Fashion	18 - 21	NOVEMBER 97
NOUVEAU REGARD - The Exhibition for Fabric Quick Response	20 - 21	NOVEMBER 97
EUROPLAST - 10th International Exhibition for Plastics, Rubber and Composite Materials	24 - 28	NOVEMBER 97
MIDEST - The International Subcontracting Exhibition	24 - 28	NOVEMBER 97
MAISON&OBJET - The International Home Decoration, Giftware and Tableware Exhibition	9 - 13	JANUARY 98
CONFORTEC INTERNATIONAL - Trade Show for Household Appliances	25 - 28	JANUARY 98
JOUET - International Toy Fair	29 JANUARY - 2	FEBRUARY 98
EXPOBOIS - International Exhibition of Woodworking Machinery Manufacturers and Timber Industries	20 - 24	FEBRUARY 98
PREMIERE VISION - LE SALON - The World's Premier Fabric Show ©	6 - 9	MARCH 98
INDIGO - International Exhibition of Creation and Design for Fashion and Decoration	6 - 9	MARCH 98
MOD'AMONT - Fashion Supplies and Trimming Trade Fair	6 - 9	MARCH 98
MIDEC - International Shoe Fashion - Paris	8 - 10	MARCH 98
SITL - International Week of Transport and Logistics	17 - 20	MARCH 98
LOGIBOX - Solutions for Logistics Facilities	17 - 20	MARCH 98

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CHAMBRE DE COMMERCE ET D'INDUSTRIE DE PARIS

MUTUAL FUNDS

Figures as of close of trading Friday, Aug. 29

هكذا من الأصل

SHORT COVER

1 in 5 Urban Chinese Owns Shares

BEIJING (Reuters) — While bank deposits remain the first choice for urban Chinese, one in five reported investing in stocks or bonds and one in eight had an insurance policy, the China Daily Business Weekly reported on Sunday.

A survey by the Horizon Research Group of 1,51 respondents in Beijing, Shanghai, southern Guangzhou, eatern Xiamen and southwestern Chongqing showed 69.5 percent of respondents saved their money in bank deposits.

But 20.9 percent said they had invested in bonds,20.8 percent were in equities and 12.3 percent had insurance

Bezeq Posts Loss on Reorganization

JERUSALEM (Bloomberg) — Bezeq Ltd. reported unday a second-quarter loss of 553.1 million shekels ($17.3 million) after the Israeli phone company took charges or a reorganization plan that calls for laying off 20 percent o the work force.

Sales rose 2 percent, to 2.19 billion shekels, againsthe second quarter of last year, when the state-owned compny reported a net profit of 168.3 million shekels.

Bezeq took reorganization-linked charges of 1.01 bilon shekels in the quarter. The total cost of eliminating the jbs, scheduled to be concluded by mid-1999, could reach 1.4 billion shekels, the company said last month.

Kazaks Attack Moscow Oil Tender

ALMATY, Kazakstan (Reuters) — The Kazak Foreign Ministry has criticized Russian plans to hold a tender for he exploration of huge oil and gas riches on the part of he Caspian Sea shelf that it considers its own.

"The Foreign Ministry is authorized to express its strong disagreement with the holding of the tender, to declare he inadmissibility of unilateral actions, uncoordinated with Kazakstan, held on its territory and the necessity to reconsider the decision taken," the ministry said in a fax.

The ministry said it had information that Russia's Natral Resources Ministry had announced a tender for the righ to explore mineral resources in the Caspian Sea. "From the location of the blocks put up in the tender, it is clear that some of them are in Kazakstan's sector of the Caspian Sea," it said.

Joblessness to Rise, German Says

BONN (Reuters) — German unemployment could soar o 5 million this winter, a newspaper quoted Ursula Engeen-Kefer, vice chairman of the Federation of German trade unions as saying.

Ms. Engelen-Kefer told the Neue Osnabruecker Zeitung newspaper unemployment could come close to the "magic 5 million mark," particularly if cold weather lasted a long time.

There were 4.37 million people out of work in Germany in June. The newspaper Saturday quoted Ms. Engelen-Kefe as saying no political measures could reverse rising joblessness.

For the Record

• **Dresdner Bank AG** is interested in taking a 20 percent sake in **Donaldson, Lufkin & Jenrette**, the newspaper Frankfurter Allgemeine Zeitung reported, saying the German bank was in talks with the French insurance company Axa-UAP, which owns a stake in the U.S. investment bank through its American unit **Equitable Co.**

• **France** is weighing plans to sell part of the capital of Air France soon, the newspaper Le Monde reported.

• **Albania's** president, Rexhep Meidani, has appointed Shkelqim Cani, a Socialist, as the new governor of the central bank.

• **Swiss Bank Corp.** said it had fired five foreign exchange department employees last week after accusing them of embezzling about 5 million francs ($3.4 million).

• **De Beers Consolidated Mines Ltd.** is prospecting for diamonds in **China** and may apply to set up a joint venture if reserves are found, the China Daily Business Weekly reported. *Reuters, Bloomberg*

U.S. Preparing A Hot Sell-Off

Up to $1.8 Billion Is Expected For Nuclear-Processing Unit

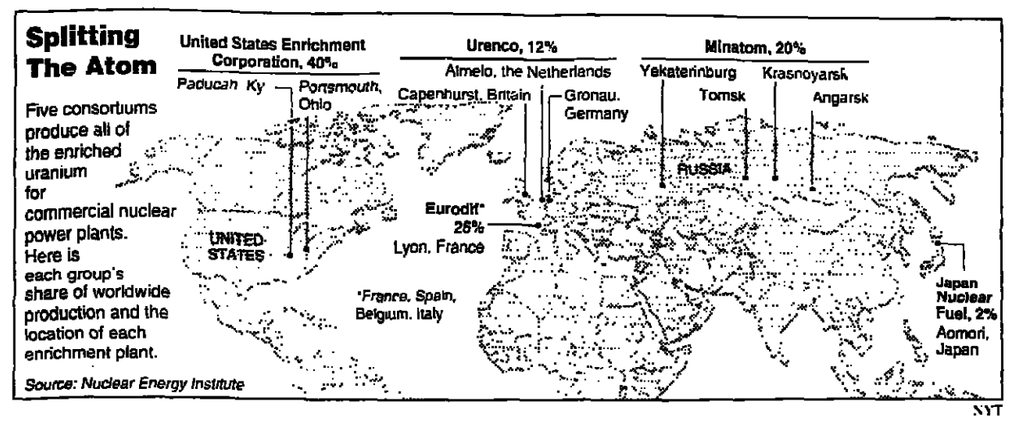
By Peter Passell
New York Times Service

NEW YORK — There is big money in nuclear energy. While most nuclear-power plants in America may be economic albatrosses, the little-known, government-owned enterprise that supplies the bulk of their uranium fuel is highly profitable.

So profitable that Washington has incorporated into the budget the billions it expects to bank when the U.S. Enrichment Corp., which has operated with considerable autonomy since 1993, is sold to private investors early next year. It will be the largest divestiture of a federal production operation ever attempted. But the road from here to there is tortuous.

Transferring USEC to private hands raises thorny issues ranging from the wish to preserve a domestic source of uranium fuel and the need to secure global stockpiles of bomb-grade uranium from nuclear terrorists. "The sale is not just about maximizing value," said a senior administration official, speaking on condition of anonymity.

A half-dozen big U.S. companies, including Lockheed-Martin Corp., Westinghouse Electric Corp., General Atomics, Allied Signal Inc. and Babcock & Wilcox, are reportedly pondering bids. But the catch they are eyeing has so many question marks — a sagging market for the product, outmoded technology, and reliance on cheap electricity that will probably be cut off in eight years — that the estimated value is low compared with its current earnings.



NYT

U.S. Enrichment, which operates plants in Paducah, Kentucky, and Portsmouth, Ohio, for enriching uranium to reactor-grade strength, reported earnings of $250 million on revenues of $1.578 billion in the fiscal year ended June 30. That was down from $304 million in 1996, but largely because it spent more on research in 1997. J.P. Morgan, the corporation's financial adviser, estimates that the projected profits translate into a market value of $1.5 billion to $1.8 billion.

If acquisition offers from bidders deemed worthy fall short of that range, the Treasury Department and USEC's White House-appointed board will have to decide whether to accept the most attractive offer, or to allow the corporation to sell shares through a public offering.

Lockheed-Martin, whose subsidiary operates USEC's plants, has formed an alliance with Allied Signal and General Atomics. Bill Corcoran, an Allied Signal spokesman, confirmed the consortium's strong interest in USEC.

The most unusual player is Pleiades Group, a consortium headed by former Commerce Secretary Robert Mosbacher and advised by former Secretary of State James Baker 3d. Its chief executive, Alexander Shusterovich, a Russian-American, acknowledges a close working relationship with Viktor Mikhailov, head of the Russian Atomic Energy Ministry, or Minatom.

While U.S. officials will not comment publicly on Pleiades's suitability to own USEC, there is opposition from the national security establishment. Pleiades points out that Washington has considerable experience in protecting sensitive technology where military contractors work with foreign corporations. Moreover, USEC is not alone in the business of separating U-235 from nonfissionable isotopes of uranium. Two European consortiums, Eurodif, owned by the governments of France, Spain, Belgium and Italy, and Urenco, owned by Britain, Holland and Germany, were created in the 1970s to reduce Europe's dependence on what was then an American monopoly in the non-Communist world.

And Minatom has become a major exporter. Since all three competitors' operations were built long after USEC's plants were completed in the 1950s, they largely employ centrifuges to separate the uranium isotopes — a major cost advantage.

Dark Side of Strong Dollar: When It Falls, Beware the Pain

By Carl Gewirtz
International Herald Tribune

PARIS — The dollar's recovery from its 1995 record lows is credited for doing much good — taming inflation in the United States by reducing import costs as well as raising growth in Japan and Europe by making their exports more competitive.

But this benign overview is hiding some dark spots, analysts warn.

In Tokyo, Richard Koo at Nomura Research Institute cautions that conditions in the United States disturbingly resemble those that inflated the financial bubble in Japan in the late 1980s.

In London, Avinash Persaud at J.P. Morgan worries that just as the dollar's sharp recovery over the last two years has contributed mightily to restraining increases in U.S. wholesale and retail prices, so a decline in the currency — fed by slower growth in the United States and faster growth in Europe and Japan — could add to inflation at a time when other fundamentals would call for easing monetary conditions.

For Mr. Koo, "a strong currency, a relatively easy monetary policy, aggressive bankers, and skyrocketing asset — equity and real estate — prices coinciding with a stable consumer price index are all common to Japan eight years ago and the United States today."

He frets that U.S. bankers, who until late last year were cautious owing to concern over rising delinquency rates and deteriorating household balance sheets, now appear to have transformed themselves into aggressive lenders.

"This suggests that a virtuous cycle is starting, where confident bankers finance more investment projects, which in turn creates jobs and income, which in turn boosts asset prices, which in turn makes bankers even more confident," he said. "This is exactly how the bubble economy started in Japan."

The error in Japan, he concludes, "was not so much in the continuation of low interest rates as in the monetary authorities' inability to contain bankers' enthusiasm."

Mr. Persaud's concern is that talk of a new paradigm — the ability to sustain a high rate of growth without igniting inflation — "may be more perception than reality."

CZECH: *Reform Package Makes Little Impact on Economic Woes*

Continued from Page 11

last year, and if IPB went, it would further strain the Czech banking sector. A difficult sell, perhaps, but the government holds a 56 percent stake in IPB that it wanted to unload.

What to do? The government has now agreed to sell the stake to Nomura International, an arm of Nomura Securities Co., which has been having troubles of its own in Japan. The question being asked is, why Nomura? The Netherlands' ING Bank NV, which has well-established retail and investment banking operations in Hungary and Poland, was also bidding.

Senior officials at Nomura in Japan were jailed for making payoffs to organized crime. Nomura's president, Juniche Ujiie, said last month that "in some senior parts of the company the sense of right and wrong was a bit warped."

Nor is it clear how much Nomura will pay. Two separate audits this year will set the final sale price. Nomura has agreed to pay at least 2 billion koruny ($59 million) and to raise IPB's capital by 6 billion koruny.

Analysts say Nomura probably has its eye on IPB's stakes in industry through its funds and loans. Before the sale was approved, IPB had sold stakes of two of its key industrial holdings to Nomura-controlled firms, including a 29 percent share of the ceramics plant Chlumcansky Keramicke Zavody and stakes in the brewers Plzensky Prazdroj and Radegast.

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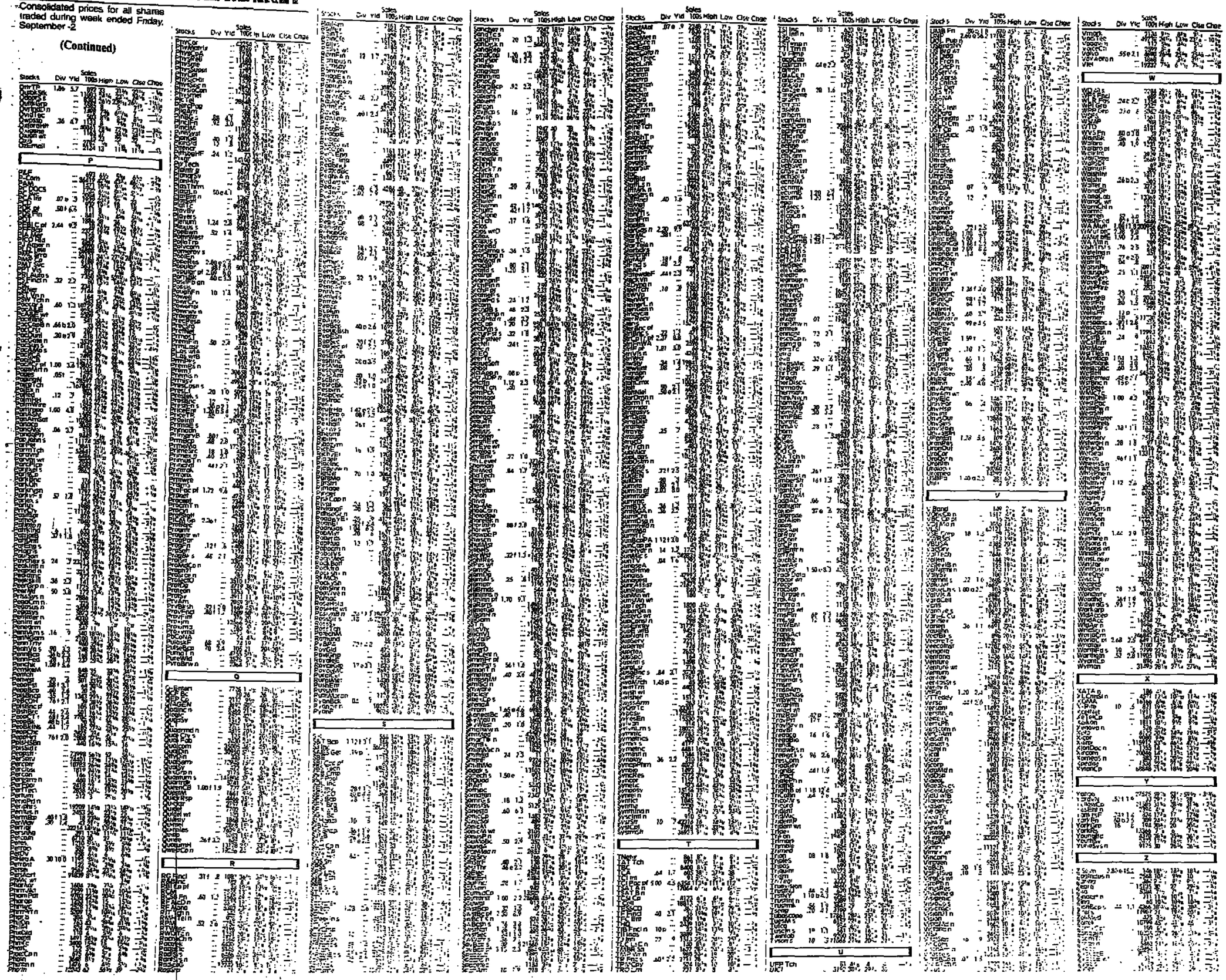
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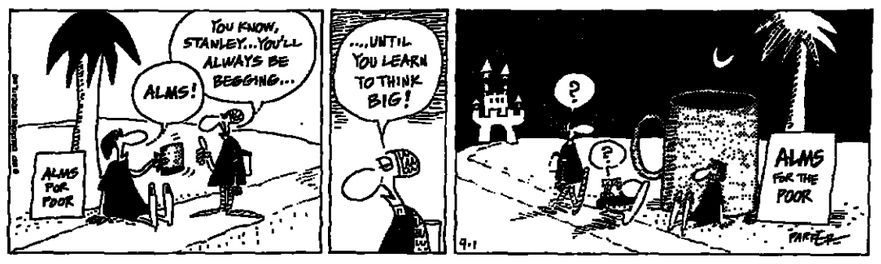
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BUILT FOR BUSINESS: SOUTH KOREA

South Korea is changing the way it does business. Fundamental reform of the financial system, improved access to the domestic market and new workplace practices are making the country more competitive globally. A new member of the OECD, South Korea has undertaken the deregulation of its major industries. South Korean products using existing technology are household names around the world, and current investment in R&D will make the country a major source of innovative technology.



MYOUNG KEE LEE/TOHO

AT A GLANCE

Population: 44.5 million
GNP: $490.4 billion
Per capita GDP: $10,622
GDP growth: 7.1 percent
Unemployment: 2 percent
Total exports: $128.3 billion
Total imports: $143.5 billion
Trade deficit: $15.3 billion
Current account deficit: $23.7 billion
Foreign exchange reserves: $33.2 billion

1996 figures. Source: ING Barings.

GLOBALIZATION AND FAR-REACHING REFORMS

–South Korea is undertaking a major overhaul of the economy to adapt to the global marketplace.

South Korea's rise from war casualty to economic giant has been nothing short of miraculous. With precious few natural resources, the country managed to dock up growth averaging some 9 percent a year between the 1950s and the 1990s. It has become a major player in key technology-intensive industries such as automobiles, electronics and shipbuilding. With a GNP of close to $500 billion it is the second largest economy in Asia after Japan and ranks 11th in the world.

"I believe our GNP will surpass that of Canada in the next two years, which, in numbers at least, makes us G7," says Park Ung Suh, president of the Samsung Economic Research Institute. "Even if growth slows to around 6 percent, I don't see why by the year 2010, our GNP should not be as high as that of the United Kingdom or Italy."

The challenges ahead

Rosy forecasts notwithstanding, there are serious thorns in the side for South Korea to remove first. The country is faced with a major restructuring of the economy if it is to adapt to the newly global marketplace. As a condition for joining the Organization for Economic Cooperation and Development (OECD), Seoul has had to agree to open many of its previously closed industries to international participation, and this has accelerated the need for South Korean companies to get into shape to compete. The restructuring means far-reaching reforms of the role government plays in the economy and deregulation of the banks and virtually all sectors of industry. It also means controversial reforms of labor laws, which have previously protected jobs at the expense of efficiency.

In addition to these challenges, eventually South Korea will also have to come to terms with some form of reunification with North Korea. While ultimately building a larger, stronger nation, this will initially be very expensive.

Ambitious globalization

Since the final quarter of 1995, the South Korean economy has entered a downturn that it currently seems unable to break out of. Despite some indications of a modest turnaround in the latter part of this year, analysts fear the worst is not yet over.

"In the short term, I think we will see more bankruptcies, distressed selling and asset deflation in virtually all sectors until we have worked off the overcapacity," says Namuh Rhee, director of Dongbang Peregrine Securities.

The good news is that there seems to be widespread recognition of the need for structural reforms to the South Korean economy.

"We have been successful in the past," says Deputy Prime Minister Kang Kyong Shik. "It just takes time for people to accept that we now need to make a complete change of direction to be successful in the future."

Both government and the nation's top conglomerates, or *chaebols*, are now coming to that realization. Most have embarked upon ambitious globalization programs that are turning them into formidable multinational companies with extensive worldwide operations networks.

There are also signs that some of these big companies, traditionally nurtured by government and allowed to exist on bank credit rather than raising equity finance, will be allowed to sink if necessary.

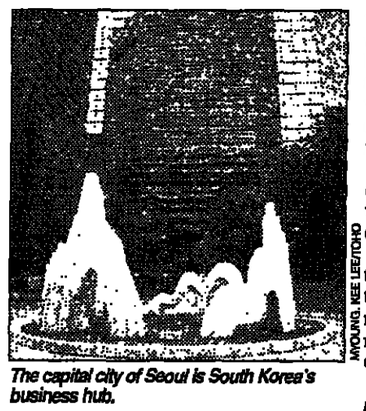
"The key objective of the restructuring is to have all participants understand that resources should be efficiently allocated," says Mr. Rhee.

Opening the economy

There are also signs that foreign participation in the South Korean economy, after decades of protectionism, is being encouraged. Unlike the Southeast Asian economies, South Korea has followed the same route as Japan and Taiwan and self-financed its own economic miracle, using its own manpower. With annual savings of 36 percent of GNP, there has been no shortage of domestic funds. Foreign direct investment in South Korea still amounts to less than $10 billion. Few foreigners live and work in South Korea, which after centuries of invasions from its neighbors has a reputation for being somewhat xenophobic.

"My vision is that in the year 2015, we have at least $200 billion in direct foreign investment and at least 2 million expatriates living in South Korea," says Mr. Park.

This vision of an international South Korea still seems somewhat remote at present. Only 1 percent of the country's 9 million registered cars are non-Korean, for instance. South Korea's domestic industries are also understandably apprehensive about an influx of international competitors.



MYOUNG KEE LEE/TOHO

The capital city of Seoul is South Korea's business hub.

The government says that more than 97 percent of South Korea's business sectors have been opened to foreign participation and that further liberalization is in progress. Incentives are also being offered for foreign direct investment that brings in advanced technology. South Korean industries still lag behind some of their international competitors when it comes to high-tech innovation. They excel in producing existing technologies cheaply rather than devising their own.

Fundamental flexibility

Few doubt that in the long term, South Korea's future is bright. The question is how long it will take for the restructuring to filter through and the economy to stage its recovery. "I would say that in two to three years we will start to see the real benefits of the reforms that we are now undertaking," says Mr. Kang. "Once we know we need to change, we will change rapidly."

"South Korea would not have come as far as it has without its fundamental flexibility," agrees Dongbang Peregrine's executive vice president, Warren Allderige. "From 1953 to today there has been tremendous change, and really only in one direction. It is an incredible success story." **Paul Hicks**

RESTRUCTURING THE ECONOMY FOR THE 21ST CENTURY

Kang Kyong Shik is the deputy prime minister and minister of finance and the economy of the Republic of Korea.

What are the principal problems that have caused the current slowdown in the South Korean economy?

The Korean economy now ranks as the world's 11th in terms of GNP scale and 12th in terms of trade volume. The rapid development that enabled Korea's rise to this level can be attributed to the educated labor force, dynamic entrepreneurship and the government's outward-oriented development strategy. However, the vitality that drove this dynamic development has slackened, leaving various difficulties in its wake.

High wage rises, financial costs, transportation costs, difficulties in acquiring factory sites and over-regulation, which have persisted since the 1980s, have weakened our comparative advantage in the international market.

The structural weakness has been caused by the inability of the Korean economy to keep up with the worldwide trend toward globalization and development of information technology. Therefore we need to push forward with structural reform, in keeping with the principles of the market economy.

What steps are being taken to achieve these structural reforms?

In the past few months, the government announced our National Agenda 21, which identifies 21 major tasks of high priority to be carried out before the end of the millennium. In formulating the agenda, our utmost concern was to remove impediments to the proper functioning of the market and to bring domestic institutions and policies in line with international standards.

Some of the priorities of the agenda include reallocating responsibility between central and local governments to give the latter more autonomy, deregulating entry to markets and enhancing labor market flexibility. The agenda places an emphasis on information infrastructure and technological development, reflecting our recognition that more of the future growth potential should come from productivity increases rather than the expansion of conventional factor inputs.



Kang Kyong Shik is a leading voice in South Korean economic reform.

What progress is South Korea making in the globalization of its key industries?

I believe that protecting domestic industries from foreign competition under the WTO framework is unacceptable as well as detrimental to the competitiveness of domestic industries. Accordingly, the government is in the process of eliminating restrictions placed on foreign direct investment and on the overseas activities of domestic companies.

What steps have been taken to encourage greater foreign investment in South Korea ?

Traditionally, Korea has tended to discourage foreign participation in our economy, but we are now making a 180-degree turn. In the wake of globalization, we have realized that foreign investment will become the driving force behind our economic development. Therefore, we need to carry out our liberalization plans in a timely manner to improve the investment environment and raise it to the standard of advanced countries.

We have simplified the procedure for foreign investment through the establishment of the notification procedure and the introduction of the 'one-stop-shop service.' In addition, various tax incentives have been adopted, mainly for foreign direct investment accompanying advanced technology, allowing for reductions or exemptions on corporation tax, income tax and local tax. Also, foreign investors taking up sites in industrial estates designated for foreign investors are entitled to reduced rents.

Do you expect to see an improvement in the South Korean economy in the near future?

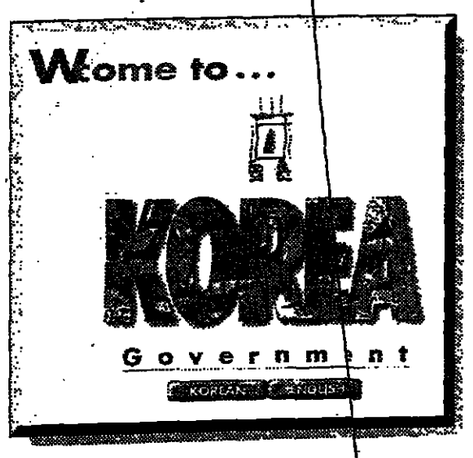
Since the first quarter of 1995, the Korean economy has entered a downturn in its business cycle. However, many recent economic indicators suggest a gradual reversal of this trend.

We believe that the pace of economic growth will speed up during the second half of 1997, and we also look forward to a significant improvement in the current account deficit. However, despite these positive indications, we expect that a revitalization of the economy will take a considerable length of time.

The future prospects for the Korean economy rest largely with its ability to firmly establish a market economic framework through timely structural adjustment, in preparation for the 21st century. This will inevitably involve a period of turbulence along the way, but now we know that we need changes. I am confident Korea will achieve those changes rapidly.

Interview by Paul Hicks

SOUTH KOREA IS OPEN 24 HOURS A DAY ON-LINE



The Internet is a key resource for discovering South Korea. Whether your interests center on business, politics, news, travel or culture, most of the sites in the following selection include a wide range of hyperlinks to point you in the right direction.

Doing business

The Korea International Trade Association (KITA) site (http://www.accesskorea.com) provides information on the One-Stop Investor Services offered by the Comprehensive Assistance Center for Foreign Investment, and an on-line inquiry service. Among the links to related sites is the Korea Trade-Investment Promotion Agency (KOTRA) home page (http://www.kotra.co.kr), which offers visitors a search engine as well as a vast selection of links organized by category: economics and trade, government organizations, South Korean company home pages, statistics, travel and more.

Most of the big Korean companies have extensive Web presences. Visit Daewoo at http://www.dwc.co.kr, Samsung at: http://www.samsung.co.kr and Hyundai at http://www.hyundai.net.

The Korean Chamber of Commerce and Industry site (http://www.kcci.or.kr) includes a guide to doing business in South Korea and features the KCCI business journal, with articles about the South Korean economy and industrial trends.

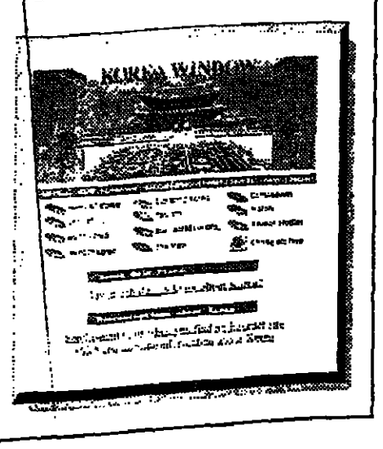
The South Korean government's home page is at http://www.gcc.go.kr, and nearly every government organization or ministry maintains its own site. The Ministry of Finance and Economy (http://mofe.go.kr), offers links to these organizations, in addition to information on business and the economy.

In the news

To discover the latest news coming out of South Korea, go to the Korean Overseas Information Service (KOIS), at http://www.kois.go.kr. The latest happenings from the Korean political scene are online at http://www.koreanpolitics.com, including a section on the forthcoming presidential elections. English-language news directly from Seoul is available from the Korea Herald newspaper's site at http://www.koreaherald.co.kr.

Travel and tourism

The Korean National Tourism Organization's site (http://www.knto.or.kr) provides a wide range of information, including visa requirements, tour programs, and accommodations. Information about the South Korean capital, Seoul, can be found on the Welcome to Seoul home page, http://www.metro.seoul.kr. **P.H.**



TRADING IN THE BIG LEAGUES

Fundamental reform and OECD membership make country a world player.

South Korea's recent entry into the Organization of Economic Cooperation and Development marked a coming of age for a country that has striven for years to reach full development and recognition as one of the world's leading economic powers.

"They're very proud to be in the OECD," says Kevin E. Honan, counselor for economic affairs at the U.S. Embassy in Seoul. "They want to be part of the global system. They want to play with the big boys. And I believe they will learn a lot from that experience."

The Commercial Service at the U.S. Embassy in Seoul calls South Korea the "little unknown superstar" — and for good reason. By the end of last year, South Korea had the world's 11th largest economy, and OECD experts predict it will become one of the globe's top seven economies by 2020.

South Korean goods are now sold around the globe in ever-increasing numbers, with exports expected to reach a record $130 billion this year. From LG refrigerators to Hyundai automobiles and Samsung video cassette recorders, South Korean brands have become household names in over a hundred countries.

Imports are also expected to hit record levels this year, possibly surpassing $150 billion for the first time. South Korea's foremost source for foreign goods is the United States, which accounted for $30 billion in sales last year, a 25 percent increase over 1995. South Korea is now the United States' fifth largest export market and seventh largest overall trading partner. Last year, U.S. exports to South Korea surpassed exports to Japan for the first time in 13 years. And the South Korean market continues to exceed U.S. exports to China.

"South Korea is a major player for the United States," says Tami Overby, executive director of the American Chamber of Commerce (AmCham) in South Korea. "American business continues to do very well here."

Reducing the trade deficit

Unlike other booming Asian countries, which tend to have large trade surpluses, South Korea has long been plagued with a sizable trade deficit.

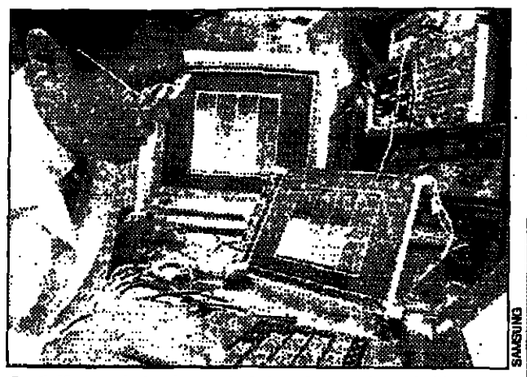
One reason is large oil imports to meet South Korea's rapidly expanding energy needs, with increased fuel consumption in both factories and on highways.

Another factor is poor performance by many South Korean exports. Automobile and petrochemical exports have slumped in recent years, while semiconductor exports, especially 16 megabit DRAM (dynamic random access memory) chips, showed a decrease in sales of as much as 75 percent in the first quarter of 1997 compared with the same period last year.

A widely hailed development emerged in June, however, when South Korea reported its first monthly trade surplus since December 1994. The $98 million surplus was fueled by newly surging exports of semiconductors, petrochemicals, automobiles and steel products. Exports for the month rose 9.2 percent, to a record high of $12.35 billion, while imports climbed 4.4 percent, to $12.25 billion. One reason was the yen's rise against the dollar during the previous months, which pushed up the prices of exports from Japan, South Korea's largest industrial competitor.

Though the country showed a trade deficit in July,

Continued on page 18



SAMSUNG

South Korean electronics products have become household names.

"BUILT FOR BUSINESS: SOUTH KOREA"
was produced in its entirety by the Advertising Department of the International Herald Tribune.
WRITERS: *Paul Hicks in Hong Kong, Joseph R. Yogerst in San Diego, Terry Swartzberg in Munich.*
PROGRAM DIRECTOR: *Bill Mahder.*

BUILT FOR BUSINESS: SOUTH KOREA

TECHNOLOGICAL INNOVATION IS A NATIONAL PRIORITY

Government and industry lead R&D investment.

While South Korean companies have made aggressive strides toward capturing a bigger share of the world market in several technology-intensive industries, they have so far lagged behind other competitors such as Japan and the United States in terms of their commitment to technological innovation. In essence, the South Korean miracle has been built on the successful commercialization of existing technologies, rather than the invention of new ones.

This is not necessarily a bad thing. After all, South Korea has rapidly developed leading global industries in automobiles, semiconductors and shipbuilding, to name but a few, simply by importing those technologies.

"Developing your own technology is an obvious thing to do," says Kwon Yong Won, deputy director of the industrial planning division, Ministry of Trade, Industry and Tourism, "but sourcing technologies at cheap prices from others is also a good strategy."

Active role

There is now, however, a widespread recognition among South Korean companies of the need to spend big to close the country's innovation deficit. By 2002, the government also aims to raise R&D related spending to 5 percent of the annual budget, bringing it much more into line with that of other OECD countries.

Leading economic analysts like Park Ung Suh, president of the Samsung Economic Research Institute, believe it is time for South Korea to take a much more active role in investing in technological development for the future.

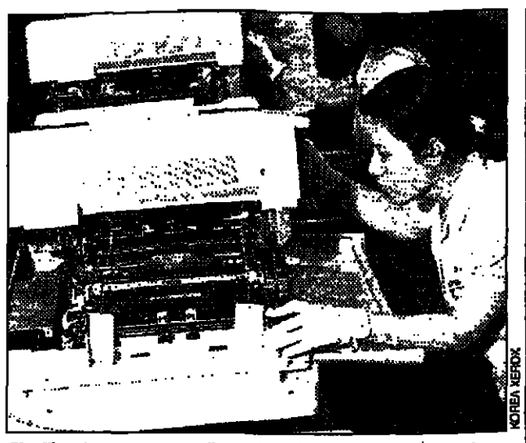
"We should be taking advantage of world technological know-how and, instead of importing technology, we should hire the world's best scientists and put them to work for us," says Mr. Park. "In the future, I would like to see at least 80,000 foreign scientists, engineers and specialists living in Korea, getting very attractive salaries and working side by side with Koreans."

Leading the way

Most of the Korean conglomerates are now spending big on R&D, with even bigger plans in the pipeline. The conglomerate Ssangyong, Korea's sixth largest company, has adopted "accelerating technological innovations" as its key strategy for the future. Noted for its technological innovations in telecommunications, environmental technology and other cutting edge technologies, Ssangyong opened South Korea's first private research center in 1975. Since then, the Research Center in Seoul has evolved to become one of the more prestigious institutes in the world.

The center's R& D activities initially focused on specialist research in inorganic materials such as cement and precision ceramics, but have since advanced to new areas like electronic and magnetic based materials and environmental technology. A huge milestone was achieved by the institute when it received the world's first ISO certificate for ferrite manufacturing in 1994.

Samsung currently spends 5.2 percent of total sales on research and development and employs more than 17,000 researchers, mostly in electronics. By the year 2000, the company plans to invest 12 percent of total sales in R&D and employ 50,000 researchers.



KOREA XEROX

Significant resources are allotted to technological development.

Core technology

The Samsung Advanced Institute of Technology (SAIT) was established in 1987 to lead Samsung's development of advanced core technology and next-generation products. The facility is linked by supercomputer to all Samsung affiliates, providing technical support and sharing information. SAIT has designated eight strategic areas for research: digital signal processing, laser applications, mechatronics, computers and application software, data transmission, next-generation display and environmental and energy resources.

State of the art

Another example of a South Korean company that is spending big on new product development is Hyundai. Says Hyundai Motor Company's Lee Noi Myong: "With the belief that it can transform the impossible into the possible, HMC is investing in the future by spending heavily on research and development to acquire the high technology needed to develop newer and better products."

Last year, HMC opened a 350-billion won ($391 million), state-of-the-art R&D center west of Seoul. One of the top 10 automobile R&D centers in the world, the complex is equipped with 60 kilometers (37 miles) of test track and employs a research staff of over 1,000.

The company plans to invest a total of $6.25 billion by the year 2001 in research and development. Currently, HMC invests 5.2 percent of its total sales revenue in R&D, but it plans to gradually increase this to 8 percent of total sales revenue by the 21st century. The company also hopes to expand its global research team to 10,000 by the year 2000.

Three-phase effort

As part of its globalization efforts, the Daewoo group's management has undertaken a commitment to "Daewoo Technology," a three-phase effort to upgrade product technology into the coming century.

By the year 2000, Daewoo expects to complete the construction of an integrated research complex covering 45 acres in Yong-in, a suburb of Seoul.

The group also expects to establish 30 overseas research centers, employ 20,000 group research personnel and make total R& D investments of $2.5 billion.

P.H.

SAMSUNG: A NEW WAY OF DOING BUSINESS

Less than 60 years ago, Samsung was just a small South Korean trading company supplying rice and agricultural products to its neighbors.

Today, Samsung is a conglomerate of 36 businesses, ranging from electronics, chemicals, machinery, automobiles, construction and fabrics to entertainment, financial services and insurance.

The Samsung Group has already built a formidable global presence of 423 offices and facilities in 68 countries. By the year 2000, Samsung's goal is to be one of the world's top 10 corporations, with annual sales of $200 billion, and among the world's top five electronics manufacturers, with annual sales totaling more than $56 billion.

Besides continuing to invest in producing and offering products and services of the highest quality, Samsung hopes to achieve this goal through a far-reaching policy of globalization. That means not just manufacturing and selling more products overseas, but also rethinking the group's entire structure and management philosophy.

"When Samsung establishes itself abroad, it must take full advantage of the geopolitical location, resources and services that each country has to offer" says Samsung Chairman Lee Kun Hee. "But we must also ensure that the results benefit both Samsung and the host country. Mutual understanding, respect and communication are critical components of successful globalization."

A good example is Samsung Tijuana Park, the company's $200 million facility in Mexico, which employs some 2,300 people to make color TVs, VCRs, color picture tubes, tuners and cameras. By the year 2000, the plant will employ another 7,000 people, with an additional $600 million investment. Samsung Tijuana, unlike some companies that simply use local labor, will also obtain 90 percent of all its materials locally by then. The same principle is at work in Samsung facilities at Wynard Park in Britain, in China and around the globe.

A key component of the globalization strategy is to loosen the grip on decision-making that Seoul has over its overseas branches.

"This dependence on the top is natural and very much a cultural trait for Koreans, but it has to change," says Park Ung Suh, president of the Samsung Economic Research Institute. "Like a young baby, each of our overseas companies must at a certain stage be weaned from the mother's milk. Ultimately, it must either learn to fend for itself or die."

Since 1995, Samsung has divided its global operations into five regions, with a regional headquarters for each. This restructuring has devolved much of the decision making from South Korea to the local country, and aims to create a "second-level Samsung" with a much higher degree of autonomy in each region.

These regional headquarters will be made into holding companies and large scale integrated production complexes will be set up in the world's most important geographical regions. Ultimately, the aim is to separate them from the South Korean operations altogether so that they act only as locally based operations contributing to local economies.



Lee Kun Hee, chairman of Samsung.

"Decision-making power must be devolved to those who have the best feel for a national market," says Shin Ce Gil, vice president and CEO of Samsung Europe.

With so many different products and services being produced by Samsung in each of its overseas markets, the regional headquarters system also makes it easier for different companies within the group to reap the benefits of their combined R&D efforts. The aim is for each region to work as a single unit that cuts across traditional product and service lines.

"Coordination among functions is key in realizing the synergies," says Kim Kwang Ho, head of Samsung Americas.

Globalization is also about people — who the employees are, where they work and how well trained they are to participate in the global arena. In 1987, only 1,950 of Samsung's total workforce of 100,000 was employed overseas. Today, the figure is 49,000 out of a total staff of 215,000. By 2001, Samsung expects to have 80,000 overseas staff out of a total workforce of 300,000. In addition, an increasing number of expatriate employees are working in Samsung's Seoul headquarters — something that would have been almost unthinkable 10 years ago.

Samsung has also set up a Global Management Institute. The company invests over $200 million annually in different training programs, several of which — including the Overseas Area Specialist Course, Internationalization Course and foreign language courses — are designed to prepare employees for the global arena.

"Samsung is what I would call the most obnoxiously progressive company in South Korea," says Mr. Park. "We have a reputation for management innovation and the best training in the country. If we continue boldly with our management reforms toward globalization, I am confident that we will succeed."

P.H.



SAMSUNG

Samsung is adapting its production and management systems and strategies to the new realities of the global marketplace.

TRADING IN THE BIG LEAGUES

Continued from page 17

this figure was down 72 percent compared with the same period a year earlier, to $806 million, as sales of semiconductors and petrochemicals fueled the biggest export growth in 18 months. While it is too early to talk about a complete turnaround, this improved performance indicates that exports could be on track for a recovery if South Korea continues its reform efforts.

Competitive edge

Chun Joon Chul, commissioner of South Korea's Fair Trade Commission, pulls no punches when it comes to tackling trade problems. "It is imperative that South Korea establish a market economy framework that is up to the level of the advanced nations and encourage economic subjects to cut costs, develop technology, streamline organization and pursue new business opportunities," he says.

The Korean International Trade Association recently announced that pricing factors are the biggest culprit in South Korean goods' loss of competitive edge. Among the catalysts cited by KITA are rising wages, inflation and interest rates at home. South Korean wages are rising faster than those of any other OECD country, and South Korea now has the second highest average wages in Asia, after Japan. KITA says that the South Korean worker's average monthly wage is now $1,568, compared with $1,230 in Taiwan.

"Sure, the cost of labor is a problem," says Mr. Honam. "South Korean companies are going offshore in an effort to find cheaper labor for their manufacturing. And foreign companies are thinking twice about setting up factories here. They've got to get more cooperation in the management-worker paradigm, and they haven't found a way to match productivity and wages."

Systematic reforms

"South Korean businesses are losing their competitiveness," says Mr. Chun. "Therefore, the government plans to focus its efforts on reforming regulations where such weaknesses are found.

That is precisely why the government has identified 10 types of businesses — including logistics, transportation, distribution, securing factory sites and professional services — that are subject to reform. In these areas, the government plans to make a comprehensive and systematic examination of regulations that restrain competition or incur burdens on business activites and remove unnecessary ones."

Seoul is fuly cognizant that reforms necessary to put South Korea back on a competitive footing will not be easy to implement.

"In any regulatory reform effort, there is bound to be opposition from related associations," says Mr. Chun. "This is because agencies in charge of the regulations worry that their agency will be downsized. Also, some groups suffer as a result of regulatory reform efforts. However, regulatory reform is not designed to protect certain interests or certain interest groups. It is aimed at strengthening the nation as a whole and enhancing the efficiency of the economic system. Therefore, overcoming opposition from the related groups may constitute one of the most important issues."

Joseph R. Yogerst

TOP FACILITIES DRAW HIGH-PROFILE TRADE SHOWS

South Korea's convention and exhibition facilities are modest by comparison with major trade show destinations like Hong Kong and Singapore, but facilities improve each year, and Korea continues to attract an increasing number of international events.

Seoul cracked the top 20 of world convention cities two years ago, and the Convention Bureau of the Korea National Tourism Organization (KNTO) says that the number of global events staged in Korea has grown by an annual average of 7.6 percent over the last 10 years.

Last year, Korea hosted 395 international events attended by 207,000 foreign delegates, most of them in Seoul.

The nation's premier convention and trade show venue is the Korea World Trade Center in Seoul, which embraces the Korea Exhibition Center (KOEX) as well as the Inter-Continental Hotel, the City Air Terminal and a shopping mall.

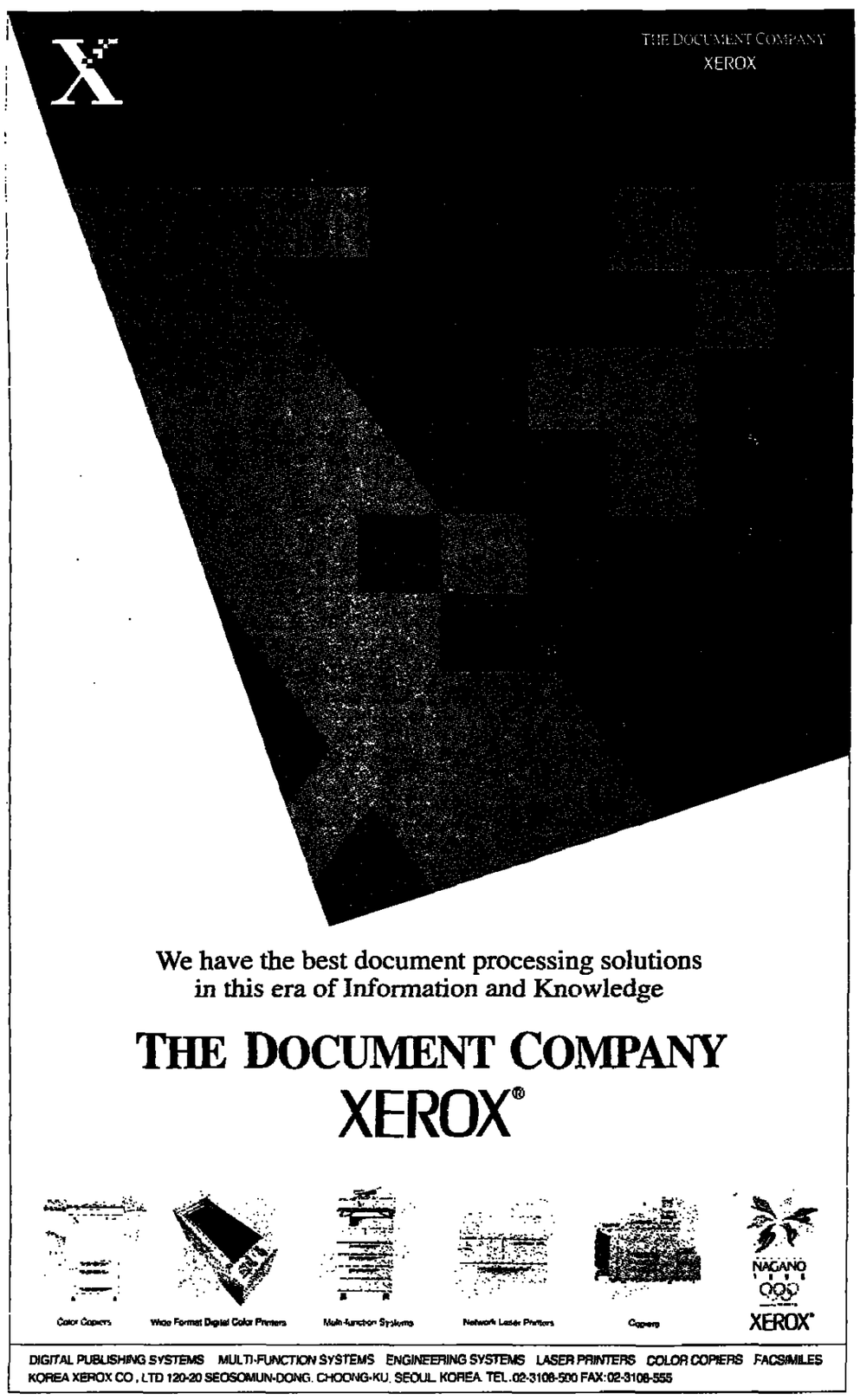
The four-story KOEX contains three exhibition halls the size of football fields, including a multifunctional hall that can accommodate 5,300 delegates.

Currently under construction in the capital is a new convention center that will be able to accommodate the 10,000 delegates expected to attend the Asia-Europe Summit in 2000.

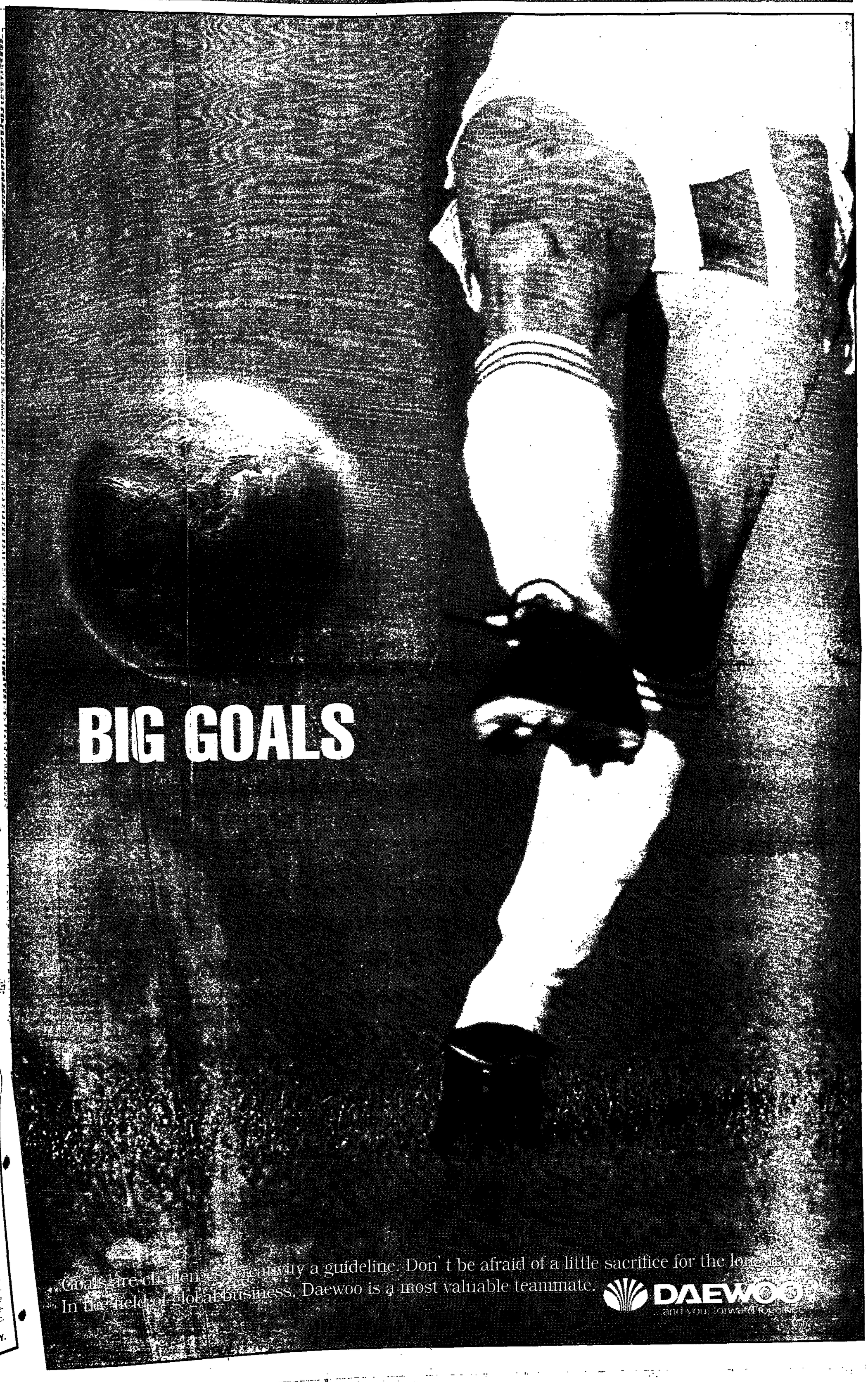
A dozen Seoul hotels are also able to stage conventions or meetings with more than 1,000 delegates. Among these are the Seoul Hilton (3,200 capacity), the Hotel Shilla (2,000) and the Grand Hyatt Seoul (1,500).

Among the high-profile trade shows and events that Korea is hosting in the latter half of this year are the 85th FDI World Dental Congress (Sept. 5-9), the Korea International Computer Graphics and Multimedia Exhibition (Sept. 22-25), the 3rd World Bonsai Convention (Oct. 24-26), the Pusan International Footwear and Sports Leisure Goods Fair (Nov. 6-9) and the World Amusement Machines and Attraction Show (Dec. 17-20).

J.R.Y.



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BUILT FOR BUSINESS: SOUTH KOREA

BEYOND CHIPS: BROADENING THE BRAND

Electronics firms are rethinking their strategies in order to lessen their dependence on memory chips.

From TV sets to microwave ovens, memory chips and satellite dishes. South Korean consumer electronics and electrical components are among the best-selling around the globe.

Semiconductor production in particular is one of South Korea's major industries, especially DRAM (dynamic random access memory) chips. Despite a decline in export value by some 14 percent last year due to a dramatic two-thirds plunge in DRAM prices, exports in 1996 still totaled $15 billion, or around 12 percent of the country's entire exports.

The country's three producers of DRAMs — Samsung Electronics, Hyundai Electronics and LG Semicon — are estimated to account for about 35 to 40 percent of the world's total output.

After last year's disastrous performance in the sector, ING Barings currently recommends accumulating stocks in the nation's three DRAM producers.

"We believe the DRAM cycle has turned the corner and that positive earnings momentum is once again favoring the producers," said Han Ilsuk an ING Barings electronics industry analyst.

Demand for DRAMs is expected to remain strong this year, fueled by growth in global PC shipments and the rise in average memory per PC shipped from 24 megabits to 34Mbits.

Nonetheless, the sudden drop in prices in 1996 hit South Korean companies hard, and many have been rethinking their strategies so as to lessen their dependence on memory chips.

"For all our successes last year, we have no choice but to view the results of 1996 as a reality check," says Yun Jong Yong, president and CEO of Samsung Electronics.

Despite the successful introduction of exciting new products like the 1 gigabit DRAM, WorldBEST Plus TV, DVD (digital versatile disc) and CDMA (code division multiple access), laying the groundwork for a new generation of multimedia technology, "the decline of the 16 Mbit DRAMs did affect the company drastically," Mr. Yun admits.

According to Mr. Yun, Samsung's future focus will be on telecommunications, microprocessors and other non-memory products. "They are the solid base on which the digital future will be built — the key to better, more reliable and more capable products to connect the global community," he says.

New technologies

In an attempt to be less dependent on memory chips, Samsung Electronics has, for instance, stepped up its efforts on Thin Film Transistor-Liquid Crystal Display (TFT-LCD) technology for notebook computers, with phenomenal success.

In June, Samsung announced the introduction of the world's highest resolution TFT-LCD, with 430,000 pixels per square inch. The TFT-LCD has 6.5 times more pixels per square inch than the current market leader, and its single panel to load all three primary colors makes it technologically far more advanced than its competitors. Samsung expects to have mass production capability by 1999.

Hyundai Electronics is another company that has been hit hard by the downturn in the semiconductor industry, still the largest sector of its business.

"In the near to middle term, we will lessen our dependence on semiconductors, which are too cyclical in their demand and require a huge capital investment," says Hyundai Electronics Industries Co. vice president for corporate planning and coordination, Cho Kyu Chung.

Unlike Samsung or Daewoo, Hyundai is not known for consumer products, but focuses on components and technologies, in which it enjoys a reputation for high quality. Hyundai Electronics divides itself into four business units — semiconductors, components (such as TFT-LCD), multimedia technology and telecommunications.

South Korea's three producers of DRAMs — Samsung Electronics, Hyundai Electronics and LG Semicon — are estimated for account for approximately 35 to 40 percent of the world's total output

Cost-competitive

Mr. Cho believes that of Hyundai's four business units, telecommunications is the area in which South Korean companies have the greatest comparative advantages.

"We are not so good in areas like multimedia, where the consumer market drives the industry, because we lack the brand strength," he says. "South Korean companies excel in areas where cost is the major factor — what we are good at is being cost-competitive."

Daewoo Electronics is applying the same logic to the domestic appliances market, taking traditional products and producing them competitively. In the early 1990s, Daewoo Electronics Co. established its "TANK" manufacturing campaign to design and produce home appliances and consumer electronics that employed "practical, user-friendly technology" and that were of high quality, durable and simple to operate.

Home appliances

In contrast to other South Korean manufacturers such as Samsung or LG, Daewoo has kept its focus on traditional home appliances rather than advanced electronics technology. "Our most important innovations are in cost-down technology, trying to find ways to make existing appliances better for lower cost," says Chang Kyu Hwan, Daewoo Electronics' executive director, Advanced Technology Laboratory One.

Already one of the world's top 10 producers of home appliances, the company aims to become one of the top three by the year 2000 and is expanding its network to areas such as Mexico, Poland, Uzbekistan, Malaysia, Vietnam and South Africa.

"People will always need TVs, refrigerators and microwaves," says Mr. Chang. "By constantly improving these models at low cost in newly emerging markets, we will certainly become one of the world's most important suppliers of these traditional items."

P.H.

DAEWOO: A LEADER IN EASTERN EUROPE

Founded in 1967 as a small textile trading company, Daewoo has become South Korea's fourth-largest conglomerate, with 220,000 employees, 31 domestic companies and 275 foreign subsidiaries. Last year, sales rose to $68 billion.

In what was widely regarded as a high stakes move for the company — and for the future of investment from Asia in the region — in 1993 Daewoo launched its strategy to make Central and Eastern European (CEE) and adjoining areas in the Commonwealth of Independent States (CIS) the major non-Asian focal point of its ambitious attempt to become one of the world's top 10 manufacturers in a number of sectors.

An attractive combination of low production costs and a large potential for future market growth led the company to choose this region.

The initial reports on these investments are in, and Daewoo is satisfied with the results. So satisfied, if fact, that Daewoo Chairman Kim Woo Chong has said, "We are not ruling out the making of further investments in the region."

Though seemingly non-sensational in nature, this statement has met with a great deal of interest from politicians and business executives in the CEE region — and from financial analysts around the world.

Tremendous range

Daewoo was not part of the first wave of companies investing in the CEE, but the South Korean giant has rapidly become one of the largest foreign investors in the region.

Moreover, these investments, comprising 55 of the company's 380 current projects outside South Korea, show a tremendous range, both in terms of sectors and in countries. In the motor vehicles sector alone, Daewoo has acquired or set up three automobile and commercial vehicle manufacturing and marketing subsidiaries in Poland, a commercial vehicles manufacturing company in the Czech Republic and passenger car producers and suppliers in the Ukraine, Romania, Hungary and Uzbekistan.

Daewoo has big plans for these companies, reportedly intending to expand its CEE subsidiaries' annual output from 1997's 425,000 units — 72 percent of the company's non-Korean production — to 1 million units (representing two-thirds of the projected production) by 2000. The company is equally expansive in its other areas of business, including home appliances manufacturing (Poland, Uzbekistan and Kazakhstan), telecommunications equipment and services (Uzbekistan, Kazakhstan) and financial services (Hungary, Romania and Uzbekistan).

Going strong

The world's financial analysts are closely following this large-scale expansion. They see its success as a key to the continuing prosperity of Daewoo — and to the maintenance of the inflow of international capital into the region.

Mr. Kim has good news for the analysts. Daewoo's operations in the region are flourishing, as is the CEE region itself. And the best is yet to come.

"Considerable though it is, the progress recorded by these economies has represented just the beginning of their emergence from the doldrums of the Cold War era," says Mr. Kim. "The shares held by Daewoo in several of the region's automobile markets have been growing rapidly. This has been particularly true in Poland, a market in which consumer demand has been extremely buoyant. Other countries in the region have a similar potential for growth."



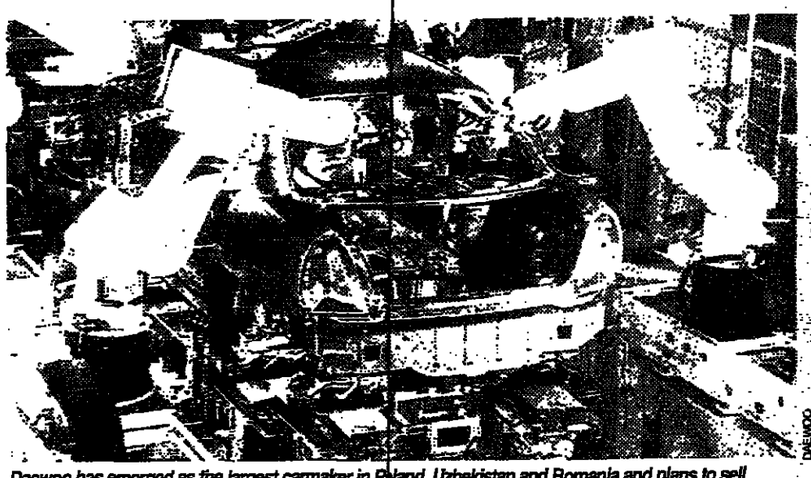
Daewoo's founder and chairman Kim Woo Choong.

The facts indicate the accuracy of Mr. Kim's assessment of the region's prospects. The region's automobile industry is currently growing at a 20 percent rate — about five times its total rate of GDP growth. Although roughly half that of Southeast and East Asia, the latter is still nearly twice that of Western Europe.

Local partnerships

The wage differentials are also reported to have attracted Daewoo to the CEE region. Although rising rapidly, the average wage in the CEE regions ranges from one-third to one-fifth of that in Korea and one-sixth to one-tenth of that in Western Europe. One reason for the company's success in the CEE region may well be the way it has chosen to implement its investments there.

"Daewoo favors forming partnerships with local interests, be they in the public or private sector. We strongly believe in this approach," says Mr. Kim.



Daewoo has emerged as the largest carmaker in Poland, Uzbekistan and Romania and plans to sell 500,000 vehicles in the CEE and CIS this year.

According to him, this "go it together" policy has paid off handsomely.

"All of our projects have met with a great deal of cooperation from various host governments and business partners in Central and Eastern Europe, and this has been one key reason why the projects have all been completed on or even ahead of schedule. This cooperation has been highly gratifying, as have been the skills and adaptability displayed by our local workforces."

Of course, not all has been smooth sailing. "There have been cultural differences to overcome, but here, too, we have made great progress," says Mr. Kim. "Everything hasn't always gone according to plan, as is always the case in business life, but looking at the region as a whole, we are where we expected to be at mid-1997 in terms of progress and results."

Terry Swartzberg

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LOCKHEED MARTIN

STIMULATING INTERNATIONAL INVESTMENT

A series of major reforms will radically transform the financial sector.

During the early stages of South Korea's economic development, the government controlled the financial industry, directing the country's limited capital into the manufacturing sector. But since the early 1990s, the government has been easing its grip to allow market forces to dictate the allocation of funds. A series of far-reaching reforms are now under way that will radically reshape South Korea's lagging financial sector.

In his New Year address this year, President Kim Young Sam announced the launch of the Presidential Commission for Financial Reform to oversee the speedy transformation to a financial sector that is "competent, convenient and confidential."

"The key objective is for banks to have more autonomy to allocate capital resources more efficiently so that loans more adequately reflect the assets companies hold," says Namuh Rhee, director of Dongbang Peregrine Securities Ltd.

Universal banking

A number of reforms are in the pipeline. First is the introduction of a "universal banking system," which will allow financial institutions to widen the scope of services they offer, increasing their competitivity. Second is the removal of controls on fees and commissions to spur competition among institutions and to lower interest rates.

Third is a major overhaul of the supervisory system, essentially reorganizing the different supervisory bodies into one that is more in line with the transition toward a universal banking system.

More radical still is the opening up of South Korea's financial sector to foreign participation.

Starting in December 1998, qualified foreigners will be able to set up any kind of financial institutions, including commercial banks, and maintain 100 percent ownership.

"Outwardly, significant strides were taken in financial liberalization, particularly with regard to foreign exchange and financial industries, during the process for South Korea's accession to the OECD, and they have since picked up momentum," says Finance Minister and Deputy Prime Minister Kang Kyong Shik.

While foreign investors will welcome this news, there are fears that an influx of foreign banking institutions will severely impact domestic banks, which lack international competitiveness.

"In the negotiations for joining the OECD they [the government] unexpectedly dealt a wild card," says Kim Kyeong Won, head of research at Samsung Securities.

"Significant strides were taken in financial liberalization, particularly with regard to foreign exchange and financial industries, during the process for South Korea's accession to the OECD, and they have since picked up momentum"

"What all this means is a full-scale opening up of the financial industry and head-on competition between foreign and domestic institutions in which the latter may well fall victim to survival of the fittest."

Stimulating growth

Hong Kong-based Peregrine Investment Holdings Ltd., one of the first and largest overseas financial institutions to set up in South Korea (as the joint venture Dongbang Peregrine), believes a greater role for overseas banks will be beneficial for South Korea's financial industry.

"Commercial banking and retail brokerage are, ultimately and naturally, domestic businesses that must be staffed by South Korean nationals" says Chairman Philip Tose. "Through market opening, foreign players provide capital, technology and expertise which strengthen and protect the domestic industry, while lowering the cost of financial services to South Korean citizens and businesses."

By international standards, South Korea still has a very small investment banking sector, with most services provided by foreign banks. This is ironic since, as Mr. Tose points out, "South Korean nationals are often highly successful and productive professionals in the world's top investment banks."

Mr. Tose believes that international competition is the only mechanism through which the country can harness this resource to form a truly South Korean investment bank.

"Peregrine's goal in South Korea is to develop the country's first full-service investment bank," he says.

Foreign investment

Besides whipping South Korea's financial industry into shape, the reforms are aimed at stimulating greater foreign direct investment in the South Korean economy. In May of this year, the government increased the foreign ownership limit on any single company to 23 percent, and there are indications that the limit will shortly be raised even further. Foreign direct investment in South Korea reached a record high of around $600 million in the first quarter of 1997.

"South Korea has actually welcomed foreign investment more than is commonly thought," says Mr. Tose. "The country's current account deficit reflects South Korea's willingness to employ foreign capital as a catalyst for growth."

Overseas investors can currently participate through direct investment, the purchase of shares in South Korea's largest companies, investment in overseas bonds issued by South Korean companies and investment in domestic equity and fixed income funds.

Nonetheless, says Mr. Tose, "by international standards, investment opportunities in South Korean capital markets are still highly limited for the size and importance of the country's economy."

P.H.

1947–1997 50 HYUNDAI 50th ANNIVERSARY

"Value Management" for Mankind, Society and Future

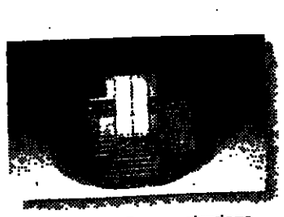
Are You in Our Future?

Over the past fifty years, Hyundai innovations have made a world of difference.

Today, our cars move people in over 190 countries. Our oil tankers deliver the fuel that powers economic development to every continent. Our semiconductors store and process the data that will take technology to the next level. And we've only just begun.

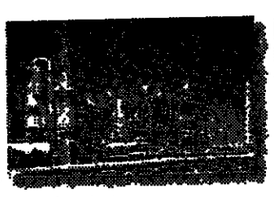
You see at Hyundai, each product and service we develop becomes the inspiration for future innovations. Innovations designed to meet the customer's psychological needs as well as physical ones. And that will bring us all something very important. A better life.

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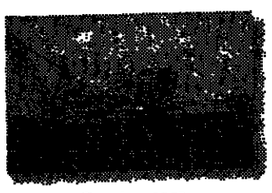

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SPONSORED SECTION

BUILT FOR BUSINESS: SOUTH KOREA

GLOBAL VISION DRIVES AUTO INDUSTRY

Carmakers are increasingly focused on both producing and selling abroad.

South Korea is currently the world's fifth largest producer of automobiles and the largest in Asia after Japan, with 2.8 million vehicles produced in 1996. At least two of its automobile producers have ambitions to be on the world's top 10 list by the year 2000.

Although South Korea has been a significant automobile exporter since the 1980s, export growth is slowing to around 8 to 10 percent per year. This is linked to reduced price competitiveness overseas caused primarily by the weak Japanese yen. Exports as a percentage of automobile output rose dramatically, from 11.5 percent in 1983 to 55.8 percent in 1987, but shrank to 38.7 percent in 1995.

Leading the industry

The industry comprises primarily the "big three," namely Hyundai, KIA and Daewoo. Ssangyong and Samsung Motors will also enter the passenger car market in 1997 and 1998, and this is expected to intensify competition.

Despite the globally soft automobile market last year, South Korea's total domestic sales reached 1.63 million, of which Hyundai sold 740,000, capturing about 45 percent of the total market. KIA came second with 29 percent and Daewoo third with 18 percent.

Imported cars account for only 1 percent of the total domestic market, though this will certainly be the fastest growing sector in the future.

South Korean automakers are globalizing their operations by assembling cars in numerous countries throughout the world, by granting their regional subsidiaries a high level of autonomy, and by adapting the cars they produce on each site to the demands of the local market

International marketplace

South Korea's number one car manufacturer, Hyundai Motor Company, was set up 30 years ago to meet the growing domestic demand for cars. To achieve what Hyundai management calls its "GT10 Vision" to become one of the world's top 10 auto producers, the company expects to manufacture and sell between 2.2 and 2.4 million motor vehicles a year worldwide by the year 2000.

Achieving this vision means an increasing focus on both producing and selling overseas.

"The domestic market has already reached its maturity, and the rate of growth of new vehicle sales has slowed considerably," says Kim Noi Myong, Hyundai's executive managing director, international business division.

One million vehicles were registered in South Korea in 1985, and following rapid growth, the figure is now in excess of 9 million, for a diffusion rate of about one vehicle for every five people. "Since we already have about half of this market, but an insignificant market share globally, it is obvious that we need to focus more on exports," says Mr. Kim.

Price competitiveness

This year, Hyundai expects to export 650,000 cars, mainly to the United States, followed by Australia, Germany and several other European countries.

"So far, the main strength of South Korean cars in the international marketplace is their price competitiveness," says Mr. Kim. "Ultimately, there is a limit to the way we can keep being lower in price, so South Korean companies will have to improve their strengths and efforts in brand marketing," he adds.

Economies of scale

Several years younger than Hyundai and still well behind its older competitor in the domestic market, Daewoo Motors is nonetheless pursuing an aggressive globalization strategy that the company's senior executives believe will make it a driving force in the 21st century.

Daewoo's "Vision 2000" sees Daewoo Motors becoming one of the world's top 10 automakers by the year 2000, with a goal of selling 2.5 million vehicles at home and abroad, with estimated global sales of $40 billion.

"We believe economies of scale are essential to automobile manufacturing and that only 10 major companies can continue to exist long term in the world market," says Han Young Chul, Daewoo Motors' executive director for marketing and planning.

Daewoo Motors currently employs more than 25,000 people, and its 1996 sales reached $10.1 billion.

Its annual production capacity is in excess of 1 million vehicles, and the company has invested in plants across the globe, including Eastern Europe, Uzbekistan, India and Southeast Asia.

South Korean companies have typically lagged behind their Japanese rivals in the globalization of their industries, but a major presence in close proximity to each of its export markets is central to Daewoo's strategy. By 2000, Daewoo expects that two-thirds of its production will be outside South Korea, compared with less than a third at present.

Paradigm shift

Both Daewoo and Hyundai will have their eyes firmly on latecomer Samsung Motors when the latter launches its first passenger car on the South Korean domestic market in March 1998.

"We realize that we will probably be the last entrant into the auto business in the 20th century," admits Samsung Motors Executive Director Jung Ho Yoon. "Nonetheless, our target is an output of 1.5 million vehicles worldwide by 2010 and to become the leader of a totally new auto culture."

Better known as the world's principal supplier of semiconductors, Samsung believes that what Mr. Jung calls a "paradigm shift" toward electronics-based automobiles in the future will stand the company in good stead in the long term.

Innovations in marketing may also help. Last year, the company launched the Samsung Motors Card, which allows its users to accumulate as much as $1,250 over five years toward a new Samsung car. An average of 3,500 people a day have signed up for the Samsung card, securing more than 2.5 million potential buyers of Samsung cars.

P.H.

HYUNDAI: EXPANDING OVERSEAS MANUFACTURING CAPABILITIES AND ADDING NEW SITES



Hyundai's honorary chairman and founder, Chung Ju Yung.

Hyundai has come a long way since 1940, when Honorary Chairman Chung Ju Yung began operating the small car repair shop that eventually grew into South Korea's biggest conglomerate.

Today the Hyundai Business Group is one of the largest corporations in the world, with 45 subsidiaries and more than 200,000 employees. It is ranked 109th in the world in the 1997 Fortune Global 500.

Automobiles remain to this day one of the cornerstones of the Hyundai Business Group, and Hyundai Motors, founded in 1967, is currently ranked as the 14th automaker in the world, and aims to be in the top 10 by the year 2000.

"Our commitment to globalization is exemplified by the rapid expansion of our overseas manufacturing capability, which is part of our new management strategy to localize operations and create greater regional management autonomy," says Chung Se Yung, brother of the founder and Hyundai Motors' current honorary chairman.

Rapid expansion

By 2000, Hyundai envisages overseas assembly operations in 12 countries, including India, Turkey, Egypt and Indonesia, for a total overseas production capacity of more than 1 million cars.

"Hyundai cars are built wherever it makes economic sense to do so," says Hyundai Motors' President Park Byung Jae. "Through direct investment and local job creation, Hyundai's overseas assembly plants are contributing to the economic progress of local markets, increasing local purchasing power, and are thereby building a solid foundation for future growth."

In countries with low penetration rates where Hyundai sees growth potential, the company has established CKD (knock down) assembly operations with local partners, notably in Thailand, the Philippines, Indonesia, Holland, Venezuela, Botswana, Zimbabwe and Egypt.

Growth potential

One of Hyundai's most significant overseas manufacturing facilities will be a new auto plant in India, which will begin production in October next year. Hyundai is investing $700 million at the first stage to set up what will be the company's largest overseas facility, located in Chenai, near Madras, to tap into the potentially vast Indian car market.

The plant, which is wholly owned by Hyundai, will have an initial production capacity of 120,000 units per year. At the second stage, an additional $400 million will be invested to increase production capacity to 200,000 units. The eventual goal, however, is to expand production to 300,000 units a year – almost double Hyundai's present combined overseas production of 155,000 cars a year.

"India is a market with huge potential, but we are not the only ones to realize that. All the major auto players are coming in, so India will be a huge battleground," says Hyundai Motors' executive managing director, international business division, Kim Noi Myong.

Emerging market

According to forecasts, by the year 2000 the passenger car market in India will have risen from 400,000 units a year to between 800,000 and 1 million.

"One advantage of a newly emerging market such as India is that all entrants start on a level playing field. There is little brand awareness, and we are not held back by the poor quality image which South Korean cars have suffered in the past," says Mr. Kim.

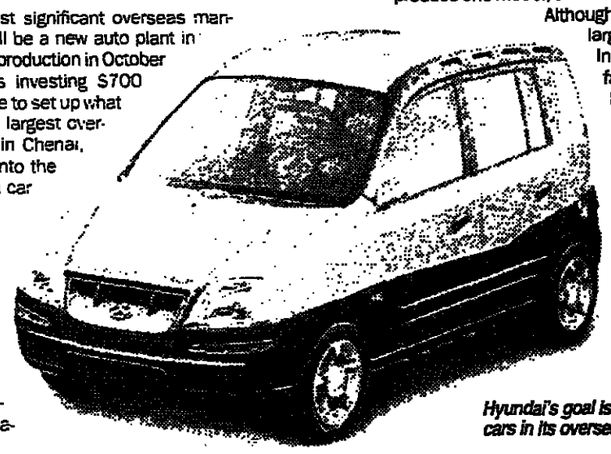
Hyundai is developing a car that is tailored to the Indian market. Part of the company's globalization strategy is to conduct detailed local research on the needs of the market and then create products to meet those needs. The first cars will be ready for their Indian launch in 1998.

Small cars, large market

"Our research shows that right now, the biggest market in India is for small cars, specifically 800cc vehicles," says Mr. Kim. "For the first year of operation, our India plant will only produce one model, and this will be an 800cc car."

Although the market is still largely undeveloped, the Indian auto industry is far from new. Cars have been manufactured there since before the beginning of South Korea's automobile industry. This will ensure that production is of a sufficiently high standard to allow the cars to be exported if necessary.

P.H.

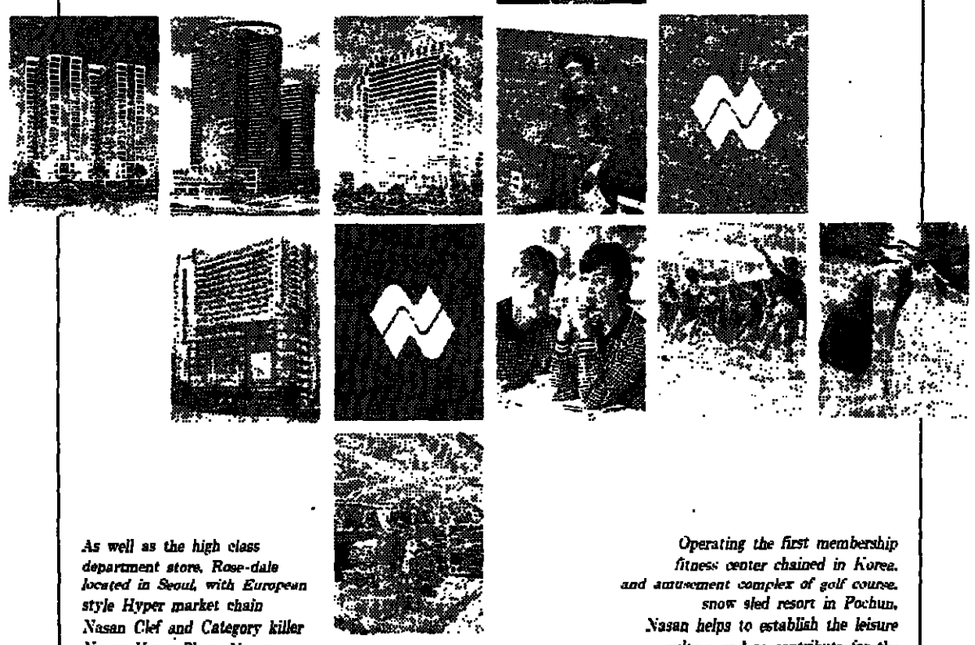


Hyundai's goal is to produce 1 million cars in its overseas facilities by 2000.

Quantum leaps toward new millennium – Nasan

Construction

Nasan creates unique life culture with the differentiated business concept developing convenient mixed-use building in urban area, civil works of high-tech tunnel, bridges and environmental facilities.



Fashion

With the philosophy that fashion business devotes to the well-being of people, Nasan, as the leader of fashion business in Korean market, never spares the effort to present various modes for dandy male and elegant female.

As well as the high class department store, Rose-dale located in Seoul, with European style Hyper market chain Nasan Clef and Category killer Nasan Home Place, Nasan provides affluent consumer life.

Operating the first membership fitness center chained in Korea, and amusement complex of golf course, snow sled resort in Pochun, Nasan helps to establish the leisure culture and to contribute for the happiness of people.

Distribution

Leisure

NASAN GROUP

ENERGY, WATER AND CONSERVATION

South Korea implements bold solutions to conserve its natural resources and protect the environment.

Improved living standards and increased industrial production are putting pressure on South Korea's natural resources. The country faces a power crisis each winter as millions of people try to heat their homes and offices, and then again each summer as everyone tries to escape the heat. With very little in the way of petroleum or hydroelectric resources, the country must import 97 percent of its energy needs. The bill totaled more than $24 billion last year, a sizable portion of South Korea's imports.

The government is attacking the problem at both ends — gradually expanding capacity and downsizing electricity demand.

Five dam projects are currently under way to increase hydroelectric generation, and the nation's 12th nuclear power plant was recently inaugurated at Wolsung.

About one-third (10,000 megawatts) of Korea's total power generation is currently supplied by nuclear power, but the Korea Electric Power Corp. (KEPCO) wants to up that figure to at least 26,000 megawatts by 2010 through the construction of 10 additional plants. Asea Brown Boveri, based in Connecticut, recently signed an agreement with KEPCO to assist in the design and manufacture of advanced pressurized water reactor systems for these plants.

Green light

Since 1995, the Korean Energy Management Corp. has been staging energy conservation campaigns with names like Green Motors, Green Lights and Green Energy Family. This summer, the agency distributed leaflets and traditional hand fans in Seoul to encourage Korean consumers to cut back on power use.

Water supply is another pressing problem. With few major rivers and lakes, South Korea is short on vital fresh water resources. With the population growing, industry expanding and more consumers moving into the middle class, water demand has risen steeply over the past decade.

Industrial effluents, agricultural runoff and residential sewage have polluted many fresh water supplies, further exacerbating the problem. Major cities like Seoul and Pusan already experience water quality problems and water shortages, a situation that may soon spread to larger provincial cities and even the previously immune South Korean countryside. Water authorities, while taking measures to increase the fresh water supply and enhance water quality, are urging South Korean consumers to use less water. Their most effective weapon is rate increases. Seoul's metropolitan water authority has announced that it will raise water rates an average of nearly 10 percent in October. These increases will affect households (18.5 percent) as well as public water uses (20 percent) like fountains, swimming pools and landscape irrigation.

The government is also attempting to tackle South Korea's rapidly escalating solid waste problem. In April, the Korean Resources Recovery and Reutilization Corp. announced that it will establish eight recycling centers to process industrial and household waste by the year 2001. The centers will be able to stockpile paper, plastic, glass and scrap metal for future reuse.

J.R.Y.

NORTH KOREA: COOPERATION IS NEEDED

Seoul has given some South Korean companies the go-ahead to invest in the North.

The worsening situation in North Korea is a persistent problem for South Korea's long-term economic and political stability. Since the early 1960s, wealth in the two Koreas has become more and more divergent. While South Korea is one of the eleven richest nations in the world, with a per capita GNP of $10,800, the North, one of the few remaining hard-line socialist economies in the world, is certainly one of the poorest. The official North Korean government figure for per capita GNP is $790, but the actual figure is only a fraction of that amount.

Most analysts now agree that an eventual reunification is inevitable, and certainly both North and South Korea are, rhetorically at least, committed to it. The problem is that no one knows when. Despite the apparent failure in the United States last month of the first-ever four-party talks on peaceful reconciliation, it appears that relations are beginning to thaw. Talks are slated to resume on September 15, but it is unclear whether the recent defection to the United States of Chang Sung Gil, the North Korean ambassador to Cairo, will affect this schedule.

South Korea has been the main supplier of food aid to the famine-struck North, and telecommunications links between North and South have been established for the first time to allow South Koreans working on a nuclear power plant in the North to call home.

North Korea has also made its first tentative steps toward a market economy with the establishment two years ago of the Rajin-Sonbong Free Economic Trade Zone in the northeast of the country, on the Russian and Chinese borders. The North is trying to attract foreign capital with a two-year tax holiday and a 14 percent tax rate on net profit thereafter. North Korea claims it has received over $100 million in foreign investment since setting up the zone.

Seoul has also recently begun to give the green light to South Korean investment in the North. Five companies, including Samsung Electronics and Kolon Industries, were given approval to set up joint ventures in North Korea just before the four-nation talks in New York. According to South Korea's National Reunification Ministry, the approval was given "in line with the policy of pursuing economic exchanges and cooperation to assist reconciliation and mutual trust."

Samsung plans to invest $5 million in an electronic switching system for Rajin-Sonbon, while Kolon plans to invest $4 million in a joint-venture textile processing plant in the western port city of Nampo. These initial investments are just the tiniest fraction of the likely cost of full-scale reunification, which economists estimate could cost $270 billion in the first 10 years and $3 trillion altogether. If North and South Korea were to reunify by the year 2000, it is estimated that per capita income in the new country would drop to 60 percent of South Korea's current level of $10,800.

The most obvious point of comparison is East and West Germany. However, in the case of the two Germanies, the East's population was only a quarter of that of the West, while North Korea has half that of the South.

The income differential of the two Koreas is also far more pronounced than that of the Germanies in 1989, and the combined wealth of the Germanies certainly exceeded that of the two Koreas. In other words, reunification will be much more difficult for Korea than it was for Germany.

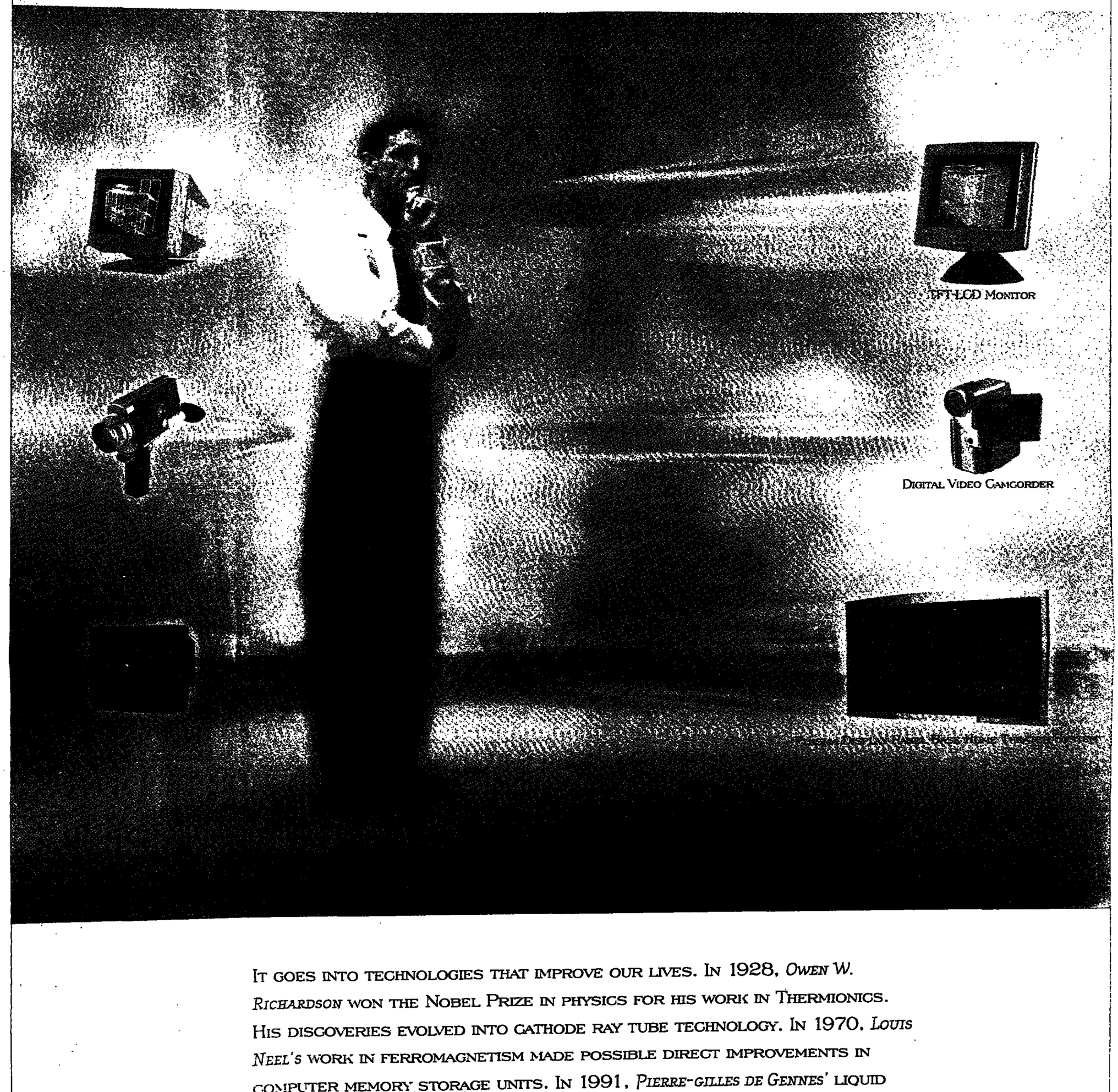
"There is little doubt that in the medium term, reunification would dampen the favorable economic prospects for the youngest industrialized nation," says Chung Soon-Won, senior director of Research at the Hyundai Research Institute. In the long term, however, many believe that a reunified Korea would emerge, like a reunified Germany, as one of the world's strongest nations.

P.H.

WHAT HAPPENS TO AN IDEA THAT WINS A NOBEL PRIZE?



THE NOBEL PRIZE MEDAL



IT GOES INTO TECHNOLOGIES THAT IMPROVE OUR LIVES. IN 1928, *OWEN W. RICHARDSON* WON THE NOBEL PRIZE IN PHYSICS FOR HIS WORK IN THERMIONICS. HIS DISCOVERIES EVOLVED INTO CATHODE RAY TUBE TECHNOLOGY. IN 1970, *LOUIS NEEL'S* WORK IN FERROMAGNETISM MADE POSSIBLE DIRECT IMPROVEMENTS IN COMPUTER MEMORY STORAGE UNITS. IN 1991, *PIERRE-GILLES DE GENNES'* LIQUID CRYSTAL TECHNOLOGY LED TO THE DEVELOPMENT OF ULTRA THIN FLAT-SCREEN DISPLAYS. THEY ARE THE NOBEL LAUREATES. THE PEOPLE WHO GET THERE FIRST, AND SHOW THE WORLD WHAT'S POSSIBLE. WE FOLLOW THEM. WE KEEP UP, AND WE LEARN. AND WE USE THEIR VISION TO MAKE OUR PRODUCTS BETTER. FROM DIGITAL CAMCORDERS AND WIDE SCREEN TELEVISIONS TO FLAT SCREEN MONITORS. THIS IS WHY SAMSUNG IS A GLOBAL SPONSOR OF THE NOBEL PRIZE SERIES. AND WHY WE'RE PROUD TO SUPPORT THE NOBEL PRIZE SERIES WEBSITE, A WIDE RANGE OF INTERACTIVE MULTIMEDIA PRODUCTS AND THE NOBEL ANNUAL.

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BUILT FOR BUSINESS: SOUTH KOREA

ROADS, RAILS AND RUNWAYS

Transport facilities are set to become among the most advanced in Asia.

South Korea is currently in the throes of a transport infrastructure revolution that will transform the way that goods and people are moved cross country and beyond the country's borders. By the time major projects totaling more than 30 trillion won ($33 billion) are completed in the early 21st century, South Korea will be able to boast advanced airport, subway, expressway and high-speed rail systems, in some cases the best in Asia, if not the entire world.

While South Korea's most vaunted infrastructure project — a $6.5-billion high-speed rail line between Seoul and Pusan — is experiencing grave financial, technical and planning difficulties, other priority projects are forging ahead.

Seoul's subway system, already one of the most extensive of any Asian city, is in the midst of a major expansion totaling more than 61 kilometers (37 miles) of new track. Pusan, in southeast Korea, is building a second subway line, and the cities of Inchon, Taejon and Kwangju have initiated development of their own subway systems.

Road construction is another national priority. South Korea already has one of the most extensive expressway systems in Asia, but authorities are set on stretching the highway web to every corner of the country.

Three major projects are currently under construction. The Sohaean Expressway (350 kilometers) will stretch from suburban Seoul all the way down the west coast to Mokpo, providing easy access to medium-sized port cities like Poryong and Kunsan, as well as an alternative way to reach Kwangju. Once it is complete, the Chung-Ang Expressway will be the major land route across eastern Korea, linking Pusan with Taegu, Wonju and Chunchon. In addition, a 92-kilometer circular expressway is being built around Seoul, linking various satellite suburbs.

Air transport hub

Airport and tourism officials are banking on the Inchon International Airport, currently under construction on Yong-yu Island, to relieve overcrowding at Kimpo Airport near Seoul. But they also hope the facility will become a major draw for new passengers and cargo.

"Inchon will be the major international airport in Korea," says Lee Kyung Moon, president of the Korea National Tourism Organization (KNTO). "We expect to become the air transport hub of North Asia because we will have one of the world's largest airports."

When the first planes touch down on Inchon's double runways in 2000, the facility will be able to process 27 million passengers and 1.7 million tons of air cargo per year. Development of two additional 4000-meter runways, plus larger terminal and warehouse facilities, will boost Inchon's capacity to 100 million passengers and 7 million tons of cargo by 2020, making it Asia's largest aviation facility.

Although Korean contractors are performing the bulk of construction work, the new airport was designed by Bechtel Corp. of the United States, and American aerospace firms will provide the air traffic control infrastructure.

Overall cost of the project was tagged at 3.4 trillion won when the airport project was first announced, but the latest estimate released by the Ministry of Construction and Transportation is a final price of 5.7 trillion won.

Inchon will open just in time to meet an explosion in air travel. South Korea's Ministry of Transportation estimates that the number of air passengers arriving and departing will grow from 26 million in 1989 to 108 million in 2010. Meanwhile, the number of airlines calling on Seoul is expected to grow from 20 to 40 by 1999.

Aviation authorities in other Asian countries may scoff at Inchon's ability to steal away their business, but the new airport will have several things in its favor.

The Korean Airport Construction Authority estimates that the final cost of airport development will be considerably less than that of facilities in Hong Kong (the almost completed Chek Lap Kok airport) and Japan (the recently opened Kansai International in Osaka). That means Inchon will be able to charge lower landing and facility use fees, a major incentive to cash-strapped airlines.

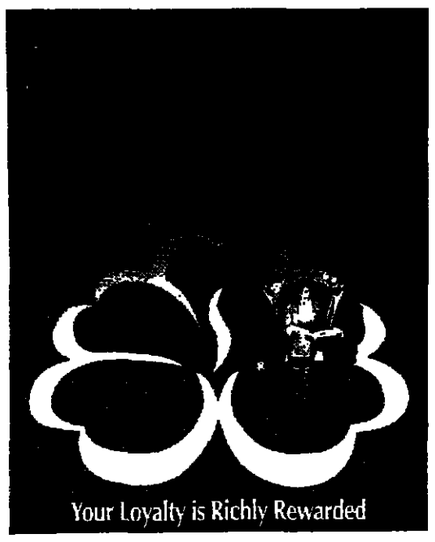
Because the new airport is situated well away from major urban areas — 52 kilometers from Seoul and 15 kilometers from Inchon city — it will be able to operate around the clock, unlike its challengers in Hong Kong and Japan. Geography is another plus. Inchon lies within three and a half hours' flying time of 40 major Asian cities, including seven of the world's most populous urban areas — Beijing, Shanghai, Hong Kong, Tokyo, Osaka, Taipei and Manila.

Inchon airport will also have optimum flight conditions, according to airport authorities. Largely unaffected by the winter smog and summer haze that blankets Seoul and environs, Inchon is expected to have only about 50 hours a year with visibility of less than 200 meters — the FAA's absolute minimum for safe takeoffs and landings. That's about a third of the hazardous hours chalked up at Kimpo each year.

Once Inchon is completed, it will become Korea's foremost international gateway. Kimpo Airport will become the capital's domestic air transport hub, offering flights to Pusan, Kwangju, Cheju Do and other Korean destinations.

J.R.Y.

THE SHILLA SEOUL



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Special benefits begin to accrue the moment you check in. From April 15th, all of our distinguished guests will immediately become members of the Shilla Dynasty Club. Every night you spend with us in our newly renovated hotel will be rewarded with credit points that are automatically converted to gift certificates. This cash benefit allows you to purchase a wide range of products and services throughout the hotel. Buy an airline ticket, rent a car, or shop duty-free. Gifts certificates are also welcome in The Shilla's nine international restaurants and bars as well as in all the boutiques in the Shilla Arcade.

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Lockheed Martin is a major partner in the development of South Korea's first indigenous fighter plane, the KTX-2, to be produced with Samsung Aerospace (artist's concept).

SOARING AMBITIONS FOR THE AEROSPACE INDUSTRY

South Korea is setting its sights on becoming one of the world's top 10 aerospace nations by 2000.

The South Korean government has established a nationwide objective to be one of the world's top 10 aerospace nations by the year 2000, on a par with the country's performance in other industrial sectors.

Although South Korea is currently the world's 11th biggest economic power, its aerospace industry ranks somewhere between 20th to 30th in the world.

In 1996, South Korea's total aerospace turnover was around $1.5 billion, involving 43 companies with a total of 12,000 employees. If projects now in the pipeline, including the KTXII fighter program and the plan to develop 70-seater commercial aircraft, go ahead as planned, South Korea's overall aerospace turnover by 2005 should exceed $10 billion annually, with over $6.5 billion in exports.

Long-term commitment

"Most of the growing requirement for air transport in South Korea so far has been met through imported aircraft, which has been a significant factor in South Korea's trade deficit," says Thomas D. S. Byun, managing director of Samsung Aerospace Industries' Commercial Aircraft Program. South Korea's aerospace trade deficit has been in excess of $2 billion annually in recent years.

South Korea's objectives in developing this technology-intensive industry, which requires a substantial long-term commitment of funds before rewards are reaped, are, of course, as much strategic as they are economic. For this reason, South Korea is developing its aerospace industries in a cooperative effort between the government and private industries.

"South Korea is still facing hostility from North Korea and needs strong defense capabilities, as the country is surrounded by such superpowers as Russia, China and Japan," says Mr. Byun. "The Gulf War showed that aerial power is ever more important in modern warfare, and this is a powerful reason for continuous strong investment in any nation's aerospace industries."

Samsung's Aerospace division was established in 1977 by the founder of the Samsung group, Mr. Lee Byung Chul, according to Mr. Byun, with "a strong sense of national duty" in mind.

The financial return has been limited so far, but the company believes that in light of South Korea's $10-billion annual defense budget, the business potential is great.

Technology transfer

Samsung also believes that the knock-on effects of the required technology upgrading for aerospace development will be beneficial to the country's other industries.

U.S.-based Lockheed Martin has played probably the most crucial role in the recent development of the South Korean aerospace industry. It is the major partner — along with Samsung, Korean Air and other South Korean companies — in two of the country's aerospace programs: The Korean Fighter Program (KFP) and the newly approved KTX-2 program.

The KFP program essentially transferred the technology to develop high-quality, F-16 fighter planes under license from Lockheed to South Korean industries in three distinct phases. It was, according to Lockheed, one of the most successful international F16 cooperation programs.

The South Korean government has also selected Lockheed Martin as a major partner in the development of South Korea's first indigenous advanced trainer aircraft, the KTX-2. Samsung Aerospace will be the main contractor, and Lockheed Martin will provide technical assistance and act as a major subcontractor.

The Republic of South Korea will fund 70 percent of the $2 billion development costs, with Samsung and Lockheed Martin providing the remaining 30 percent investment. The initial order of 94 aircraft will be produced for the South Korean Air Force.

"KTX-2 will be an extremely important program for South Korea's long-term goal of aerospace self-sufficiency," says Kim Yong Ho, Lockheed Martin's senior vice president. Not only does the expertise that will be gained cover all aspects of aerospace technology, including design, development, management and production, but it also provides the first opportunity for South Korea to sell its own indigenous aircraft to the world market.

Continuity

Mr. Kim is confident that South Korea can succeed in aerospace, but with two provisos.

"They need to be patient," he says, "as it will take a tremendous investment in the initial stages, whereas tangible payoffs will not be realized until much later."

He also argues the need for continuity in investment. "Discontinuity in the aerospace business will waste much of the resources that South Korea has invested in facilities, trained manpower and acquired technologies."

The government, he believes, must pledge its commitment in terms of funding for the long term. If the industry is to succeed, he says, "aerospace should be consistently and overwhelmingly, almost blindly supported by the government and the people of the Republic of South Korea."

P.H.

PASSENGER JET PROJECT: NEW GENERATION AIRCRAFT WILL SERVE REGIONAL MARKETS

South Korea's attempts to build an indigenous passenger jet to service regional markets have been grounded several times over the past few years, but now look set to take off at last. A memorandum of understanding was signed in April between South Korea and AIR — Aero International (Regional) — for the design and production of the AIR70, a new generation short-range aircraft and its derivatives, the AIR54 and AIR84. AIR is equally owned by British Aerospace PLC, Aerospatiale of France and Alenia SpA of Italy.

Public-private sector partnership

The total development cost of the AIR70 project is expected to be a cool $1.2 billion, of which the government-backed South Korea Commercial Aircraft Development Consortium, composed of major South Korean aerospace companies, including Samsung, Daewoo and Korean Air, has so far pledged around 30 to 40 percent. The government is understood to have committed half of these funds.

"All parties are currently discussing details of the cooperation, and we expect the program to be launched this year," says Thomas D. S. Byun, managing director of Samsung Aerospace's Commercial Aircraft Program.

The first flight of the proposed aircraft is slated for 2000, with its entry into service set for 2001. AIR is reportedly expecting to sell more than 1,000 of this type of aircraft, with sales coming from all over the world, including the fast-growing Asian region.

"In the past, most aircraft with this smaller seating capacity were of the turbo propeller variety, but now there is a demand for a faster and more comfortable small aircraft," says Mr. Byun. The AIR70 is expected to carry a price tag of around $21 to $22 million, compared with $14 to $15 million for a propeller-driven aircraft.

Greater involvement

There are still several questions about the project, not the least of which is whether the South Korean consortium can deliver a sufficient proportion of the investment to convince Aero International that the project is viable.

According to Park Kun Woo, executive director of Daewoo Heavy Industries' Commercial Aerospace Program, South Korean companies can come up with more funds, but they want a greater involvement in everything from design to production. It is understood that AIR will allow South Korea to design and build the aircraft's fuselage, but this arrangement does not give South Korea the desired expertise in manufacturing its own aerospace systems.

While manufacturing its own aircraft may be a distant goal for the South Korean aerospace industry, increasing its share of the supply of components to the major international companies is an immediate one.

"Selling our own aircraft in the world market will be extremely difficult, so our goal is to become a major supplier of air frames to Boeing and Airbus," says Mr. Park.

Having invested in mastering processes such as system integration, functional testing, IFT sealing, fuel soak testing and theodolite tooling, Daewoo Heavy Industries is recognized for its capability in complete wing assembly.

Bargaining power

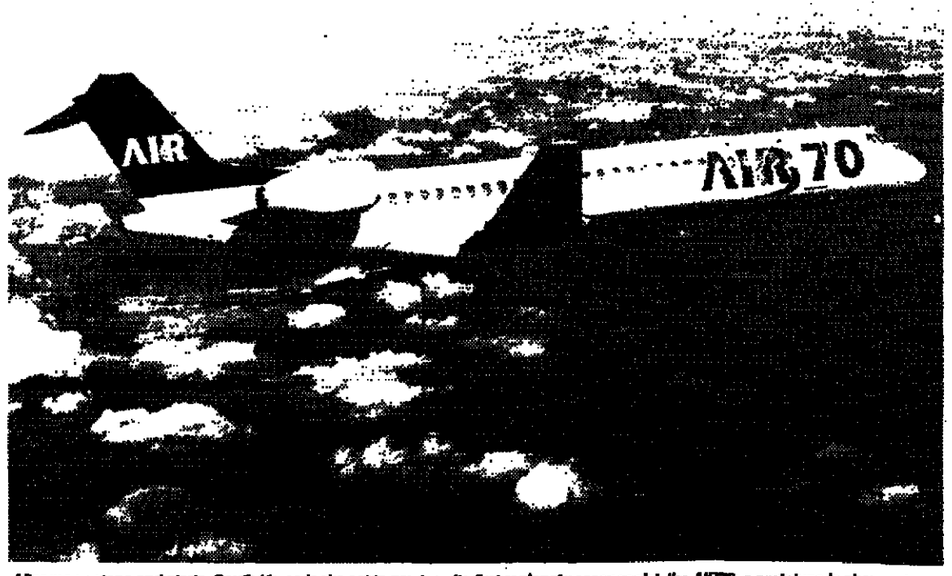
Now that South Korea's Asiana Airlines has effectively become part of the Daewoo group, the company has much greater bargaining power with Boeing and Airbus to win parts contracts. Asiana is ordering a further 15 Boeing aircraft to add to its fleet of 42 as well as an additional 36 Airbus craft. According to Mr. Park, this will ensure that Daewoo gets orders from those companies.

Likewise, Korean Air, the only airline in the world to operate its own aerospace manufacturing division — located in Pusan — already supplies wing tip extensions and flap track fairings for the Boeing 747, flap support fairings and wing tip assemblies for the Boeing 777 and forward upper shells and central upper shells for the Airbus A330 and A340. Its ambition, however, like those of South Korea's other aerospace industries, is to supply more value-added components.

This has important strategic benefits for both the supplier of the aircraft and the supplier of the parts, says Korean Air's vice president, aerospace division, Suh Sang Mook.

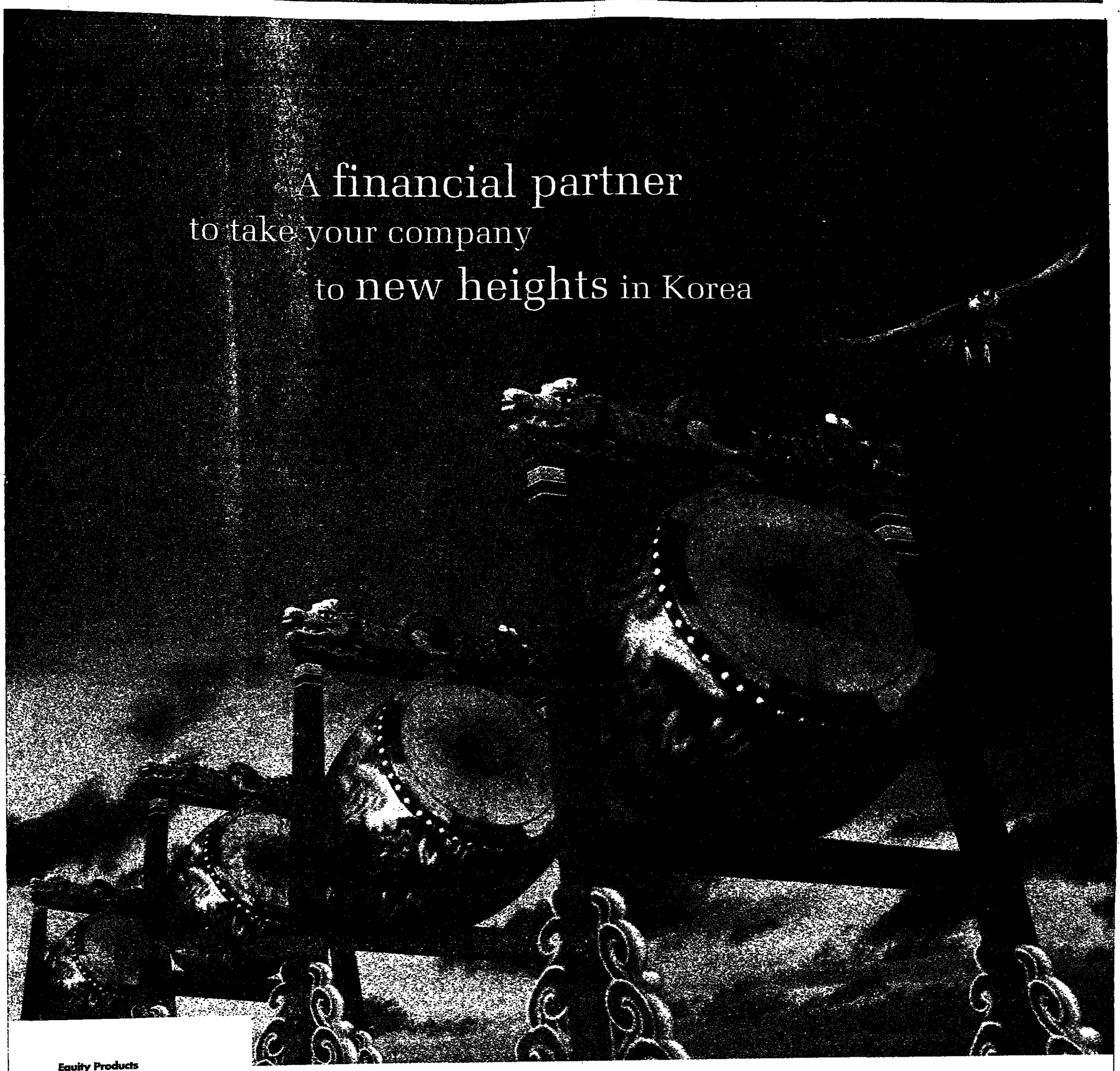
"If, for instance, Airbus allows South Korea to manufacture a larger proportion of the planes they sell to us, it is only natural that we will buy from them, because there is more benefit to our own industry," says Mr. Suh.

P.H.



After many stops and starts, South Korea looks set to produce its first regional passenger jet, the AIR70; a prototype is shown above.

هكذا من الأصل



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BUILT FOR BUSINESS: SOUTH KOREA

THE CHAEBOLS: THE MATURING OF A NATIONAL ASSET

For good or for ill, the South Korean economy is dominated by the existence of a handful of large conglomerates, or *chaebols*, that engage in almost every form of major business activity. Three companies alone — Daewoo, Hyundai and Samsung — are estimated to account for up to 70 percent of the South Korean economy.

Walk the streets of Seoul and see how far you can go without being confronted by a neon sign for a product or service of Daewoo, Hyundai or Samsung. Average South Koreans might well buy not only their TV sets, microwaves and refrigerators from Daewoo, but also their cars, their apartments and even their life insurance policies.

The government is seeking to establish an environment in which fair competition among large and medium-sized enterprises — both domestic and foreign — is firmly in place

The advantages of these companies are clear in the context of globalization. Brands like Samsung, Daewoo and Hyundai have made South Korea a major economic force to be reckoned with across the globe. The fate of giants like Hanbo and Kia, on the other hand, shows the disadvantages of concentrating too much power in the hands of companies with inefficient and outdated management structures.

In the early days of the South Korean economic miracle, the military government encouraged the exponential growth of conglomerates as a means of directing scarce resources to building up the manufacturing sector. Today, the government is more ambivalent about these industrial behemoths and the power they have over the economy.

"Conglomerate-oriented economic development has led to the concentration of economic power and subtracted from our economic flexibility," says the deputy prime minister and minister of finance and economy, Kang Kyong Shik. "Therefore, the government is trying to discourage the concentration of economic power limited to a selected group of large conglomerates and establish an environment in which an order of fair competition among large and medium-sized enterprises is firmly set in place."

The chaebols themselves believe that their role in Korea's economic development makes them indispensable in the drive toward globalization. "Large companies like Samsung are the only national asset allowing Korea to compete in the world," says Park Ung Suh, president of the Samsung Economic Research Institute.

"The real objection is more political than economic because there is a misperception that the entire companies are owned by their chairmen," says Mr. Park. "In fact, they are not." Government would, he argues, do better to regulate ownership of companies and set up more independent monitoring agencies, rather than trying to restrict their activities, which adversely affects national competitiveness. Mr. Park cites the example of PC board production. South Korean conglomerates are not allowed to participate in this industry because it is reserved for small and medium-sized companies, which supply the boards to the chaebols.

"But these small companies do not have sufficient funds for research and development and to achieve economies of scale," says Mr. Park. "The result is that we are 15 years behind Taiwan in this field."

As the economy is restructured and regulated to allow fairer competition for both domestic and foreign firms, it is likely that the chaebols may be able to grab an even larger slice of the South Korean economy.

For instance, conglomerates are currently not allowed to own banks because the government is worried that they could monopolize the loanable funds from a bank once they are allowed bank ownership.

The liberalization of the financial industry, however, will allow foreign banks to set up branches in Korea, making it almost impossible to justify excluding South Korean companies, especially when they have the financial resources to simply buy the entire foreign bank in question.

"There are both strengths and weaknesses to the chaebol system," says Namuh Rhee, Dongbang Peregrine securities director. "Yes, they do concentrate economic power and do not always make for the most efficient allocation of resources. But for a nation of 44 million people to reach global competitiveness so quickly in such capital intensive industries, you need economies of scale. Without these chaebols, we may not have been able to do it."

P.H.

MULTINATIONAL CORPORATIONS, LOCAL NEEDS

Foreign companies are breaking into the market.

South Korea has generally been deemed one of the hardest economies in Asia for foreign companies to penetrate. Nonetheless, the country is home to a number of multinational corporations that have managed to succeed in the South Korean market despite traditional constraints.

These foreign companies generally meet with success when they adapt their products and services to South Korean needs and learn about South Korean business practices through joint venture agreements with local partners who have already built up a strong local presence.

These South Korean partners are sometimes from the private sector but are often government entities.

Key center

In the early 1970s, the only Xerox operations on the peninsula were on U.S. military bases. But an astute local businessman named Moon Byong Hyuk anticipated that office automation would grow rapidly as the Korean economy boomed, and he approached the Connecticut-based company to form a joint venture. Korea Xerox, as it's now called, was created in 1974.

"Even though the parent company is American, we are pretty much a Korean company," says Moon Yong Joon, vice president of Korea Xerox. "We pretty much operate by Korean standards."

Throughout the 1970s and '80s, the company focused on the integration of Xerox products and machines into the Korean market. This included sales and a rental system as well as the development of Korea's marketing tools and customer service operations. Employees were sent to Japan for staff training courses at Fuji Xerox.

Increasingly, Korea Xerox has turned its energy to developing its own products and parts with an eye on both the domestic market and exports to other Asian markets under the Xerox brand name. At present, about 70 percent of parts are fabricated locally.

Product development

Last year, Korea Xerox revenues hit $258 million, a 12.5 percent rise over 1995. Sixteen percent of revenue was derived from exports. The company's share of the South Korean photocopier market was 27 percent, compared with 36.5 percent for Ricoh and 25.6 percent for Canon.

"We are investing about 5 percent of our revenue in research and development," says Mr. Moon. "Our goal is developing our own manufacturing capability and exporting our own models, especially in the low-end copier area.

"Beginning in 1999, Korea Xerox will be recognized as a real manufacturing base of the Asia-Pacific division, especially in low-end copiers. In the future, we will be one of the key centers of the Xerox Group." Among the markets targeted for Korea Xerox exports are Taiwan, Thailand, Indonesia and the Philippines.

Mr. Moon feels the joint venture has succeeded because of mutual understanding and cooperation between the two partners as well as a willingness to transfer technology on the part of the parent company.



KOREA XEROX

Korea Xerox has successfully adapted its business practices and products to the South Korean market.

"Those are the key factors in making a successful operation in South Korea," he adds.

On the fast track

Another multinational on the fast track in South Korea is Lockheed Martin, the American aerospace conglomerate, which has grown through mergers and acquisitions to include Lockheed, Martin Marietta, General Dynamics, Loral and other aviation firms.

The company has been on the ground in South Korea since 1971, when General Dynamics established on office to support the purchase of F-16 fighters by the South Korean Air Force.

Lockheed kicked off its South Korea operation in 1988 with an office to handle the sale of C-130 transports and P-3C maritime surveillance aircraft. Martin came ashore in 1992 to support its LANTIRN navigation system.

"Korea has been and will remain one of the most valuable customers of the Lockheed Martin corporation," says Kim Yong Ho, senior vice president of Lockheed Martin. "Over the last six or seven years especially, our success in Korea has been remarkable."

Long-term partnership

Lockheed Martin is currently involved in South Korea's most important aerospace manufacturing ventures. The Korea Fighter Program, which will produce F-16 fighters in South Korea, is the country's first licensed aircraft manufacturing project.

The KTX-2 program aims to develop South Korea's first indigenous fighter trainer, with Lockheed Martin providing technical support and serving as a major subcontractor and Samsung as the primary contractor.

Lockheed Martin has also ventured into the South Korean satellite sector with the launch of two telecommunications birds (KoreaSat One and Two) and a contract for a third that will be launched in 1999.

"I believe the most significant factor in our success in Korea is the fact that we approach this as a long-term partnership with the Korean military and industry, not just *a one-off project*," says Mr. Kim. "We have a solid commitment for the long term."

But there are other factors, he says. Lockheed Martin has the right products for South Korea's needs — not just airplanes but also navigation aids, satellites and information management systems.

The company also puts considerable energy into customizing products to fit the Korean market.

"We understand the Koreans," says Mr. Kim. "We develop programs best suited for their needs, their national goals and priorities."

J.R.Y.

Korea: The New Global Economy
"Saegaewha"

THE KOREA SUMMIT
한 국
국제경상회담
1997

September 10th & 11th 1997, Seoul, Korea

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PEREGRINE

Saegaewha, meaning "globalization," is the ongoing process of reform which promises to transform Korea's business landscape. The International Herald Tribune, with the cooperation of The Ministry of Finance and Economy, has organized an event which will allow you to meet Korea's domestic business leaders, heads of prominent multi-nationals such as Peregrine Investments Holdings Limited, Korea's top government officials and many more. By bringing business and Government together the IHT offers you the opportunity to meet those who will influence your business in Korea.

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Chung Mong Koo, Chairman, Hyundai Group
Philip Tose, Chairman, Peregrine Investments
Donald Johnston, Secretary General, OECD
Utkur Sultanov, PM, Republic of Uzbekistan
Alvin Toffler, Futurist USA

Deputy Prime Minister & Minister of Finance & Economy, Kang Kyong Shik will open Day 1 of the Plenary sessions and host the Dinner Banquet on the evening of September 10th, open to all registered delegates.

To register for what promises to be an exciting and unique event please contact Lesley Varlinden at the International Herald Tribune, Hong Kong, on tel: 852 2922 1107 or fax: 852 2922 1100 / 852 2922 1190.

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TELECOMS SECTOR: RINGING IN THE NEW

Deregulation and cutting-edge technology drive the telecommunications industry.

One of the most compelling proofs that the South Korean government is serious about economic deregulation and liberalization can be found in the telecommunications sector, which bears little resemblance to the industry that existed a decade ago.

South Korea is now one of Asia's most emancipated telecom markets. Recognition of that achievement came in July when the U.S. Trade Representative (USTR) announced that South Korea would be removed from the list of priority foreign countries (PFC) that need to end trade restrictions in the telecoms sector under the U.S. Omnibus Trade Competitiveness Act

Investors welcome

"The Republic of Korea has made measurable progress toward the elimination of objectionable acts, policies or practices" in the telecoms sector, the USTR declared in making the announcement. The U.S. decree came in the wake of Seoul's pledge to honor the Information Technology Agreement (ITA), which calls for the gradual elimination of tariffs on information technology products and a decrease in limitations on foreign ownership of domestic telecoms services companies. South Korea has also agreed to employ more transparent and competitive regulatory policies. One of the clinchers was an announcement by the Ministry of Information and Communication last November that foreign companies will be able to hold more than 20 percent of domestic telephone operations starting in 1998.

"These kind of announcements are very satisfying for us," says Kim Ji Hoon, general manager of the Overseas Business Planning Team at SK Telecom, the telecommunications arm of the Sunkyong Group. "The U.S. government was not satisfied with what the South Korean government did after WTO, but these latest moves are a very clear signal that there will now be less government involvement in the telecoms market."

20 million subscribers

The telecom service sector is dominated by four big domestic operators. Korea Telecom and Dacom control the lion's share of the conventional, fixed-line phone market, which hit a record 20 million subscribers in May this year (double 1988's figure).

SK Telecom and Shinsegi Telecom compete in the mobile sector, 3 million subscribers strong by the end of 1996. SK Telecom has roughly 3.2 million analog and digital users, and Shinsegi has nearly 300,000 digital users. SK Telecom is also the country's largest pager service, with 6.5 million subscribers (out of a nationwide total of 12 million) by the end of last year.

Korea Telecom, which once had a monopoly on all telecom services, is gradually being privatized. Private shareholders already control more than 20 percent of the giant company, with the percentage set to rise substantially once the company gains listing on the Seoul stock exchange later this year. The government has also floated the idea of issuing overseas depository notes and a Wall Street listing.

Mobile services

Not to be outdone by domestic mobile operators, Korea Telecom recently introduced a new satellite-based mobile phone service for global voice and data transmission. The company is also expanding overseas. In August, it became part of a consortium of 28 companies that will develop Atlantis 2 — 11,900 kilometers of optical fiber cable linking Portugal, Spain, Senegal, Brazil and Argentina. Like many Asian nations, South Korea's mobile sector is expected to grow by leaps and bounds over the next decade. The number of cellular subscribers doubled (to 3 million) between 1995 and last year, with projections that the total number of customers will nearly double again (to 5.6 million) by the end of this year.

With the introduction of PCS (personal communication services) and other new mobile services later this year, the subscriber base could reach 13 million by 2001, predicts the Ministry of Information and Communication.

South Korea is generally regarded as one of the world's front-runners in the commercialization of a new mobile phone technology. In the early 1990s, the government decided to adopt Code Division Multiple Access (CDMA) technology as the basis for its cellular phone networks. CDMA systems — first developed by Qualcomm in the United States — provide better quality transmission and are able to handle 10 times more users than standard TDMA (time division multiple access) systems.

Cutting edge

SK Telecom, which became the first company in the world to launch commercial CDMA service in 1996, is hoping to parlay its expertise into major overseas sales in the future.

"We are hoping to export CDMA systems to Russia, China and Southeast Asia," says Mr. Kim. "If you look at underdeveloped countries, there aren't many land line services, so this mobile service is really the best solution. And they're going to go for CDMA over GSM technology because when you invest that kind of money you want a more long-term solution."

Other manufacturers hoping to take advantage of South Korea's lead in this technology include Hyundai Electronics, Samsung Electronics, and LG Information and Communications, which have started exporting CDMA equipment.

J.R.Y.



MYOUNG KEE LEE/TORO

South Korea is home to the world's first two commercial CDMA mobile phone networks.

BUILT FOR BUSINESS: SOUTH KOREA

FOREIGN RETAIL SECTOR JOINS THE CLUB

With trade barriers lowered, international discount and luxury chains are flocking to enter the market.

Over the last few years, the South Korean government lifted barriers to foreign participation in the retail sector, and many of the world's leading chains are now scrambling to enter the market.

"I really look at 1993 as the year that things began to change very fast in Korea," says Tami Overby, executive director of the American Chamber of Commerce (AmCham) in South Korea. "President Kim came back from the APEC Summit in Seattle and realized that Korea needed to open up or it would miss out on globalization.

"South Korea's entry into the OECD last year was another great catalyst for the market opening up, giving foreign companies the opportunity to provide more products and services at more competitive prices."

Global chains

Among the global chains that are already established or will soon have outlets in South Korea are Thrifty and Price Club of the United States, Carrefour and Printemps of France, Makro of the Netherlands, and Marks & Spencer of Britain. Carrefour alone is spending $680 million to establish its South Korean retail network.

Price Club, which is called Kim's Club after the South Korean partner, opened its first outlet in Seoul last year. Following initial success, the chain launched a second store in the southern city of Taegu in July. Seven-11 convenience stores, one of the first overseas players in the local market, now has 110 outlets in South Korea.

"What you find is that most of these operations are joint ventures with heavy South Korean equity," says Kevin E. Honan, counselor for economic affairs at the U.S. Embassy in Seoul.

Japanese department stores and retail outlets, which have spread rapidly across the Far East over the last decade, are noticeably absent in South Korea. Analysts say this is probably due to South Korea's traditional animosity toward Japanese products.



The Nasan Group is a key player in retail, construction and tourism.

Wal-Mart, the giant American deep-discount chain, is eager to enter the Korean market but is currently entangled in a trademark dispute.

"A Korean woman holds the rights to the 'Wal-Mart' name here," says Ms. Overby, "At one point, she was close to selling, and then she decided to be patriotic — protect Korean retailing by keeping the giant Wal-Mart out."

Even without Wal-Mart in the market, analysts predict that deep-discount chains will double their revenues this year over 1996.

Foreign brand names are also more evident in Korean department stores and supermarkets. "Distribution in South Korea has changed drastically," says Ms. Overby.

Kodak, Amway, Coca-Cola, Procter and Gamble and R.J. Reynolds are among the American firms that have made headway in South Korea over the past few years.

The import of foreign consumer goods continues to escalate, with cosmetics, cellular phones, alcoholic beverages, canned food goods, garments and electronic appliances leading the way. Foreign apparel sales reached $1.4 billion last year. Cosmetic imports are expected to top $330 million in 1997. Overall sales of consumer goods could surpass $14 billion this year.

A leading South Korean fashion company, Nasan Co., Ltd. — a subsidiary of the Nasan Group — has concluded a licensing agreement to market the French brand Votre Nom in Korea. Nasan is also involved in retail through its Nasan Department Store Co. Its flagship store in the Kangnam district of Seoul offers discount prices throughout the year.

Business is also booming for foreign retail outlets that hawk luxury or specialized goods.

The latest entry in the luxury market is Italian fashion house Prada, which unveiled its first South Korean boutique in July, a splashy store in the trendy Chongdam-dong district of southern Seoul. A second Prada outlet is planned for the Galleria shopping mall in Apkujong-dong by the end of 1997. Both stores will dispense the full Prada line, including travel bags, shoes, lingerie and ready- to-wear for men and women.

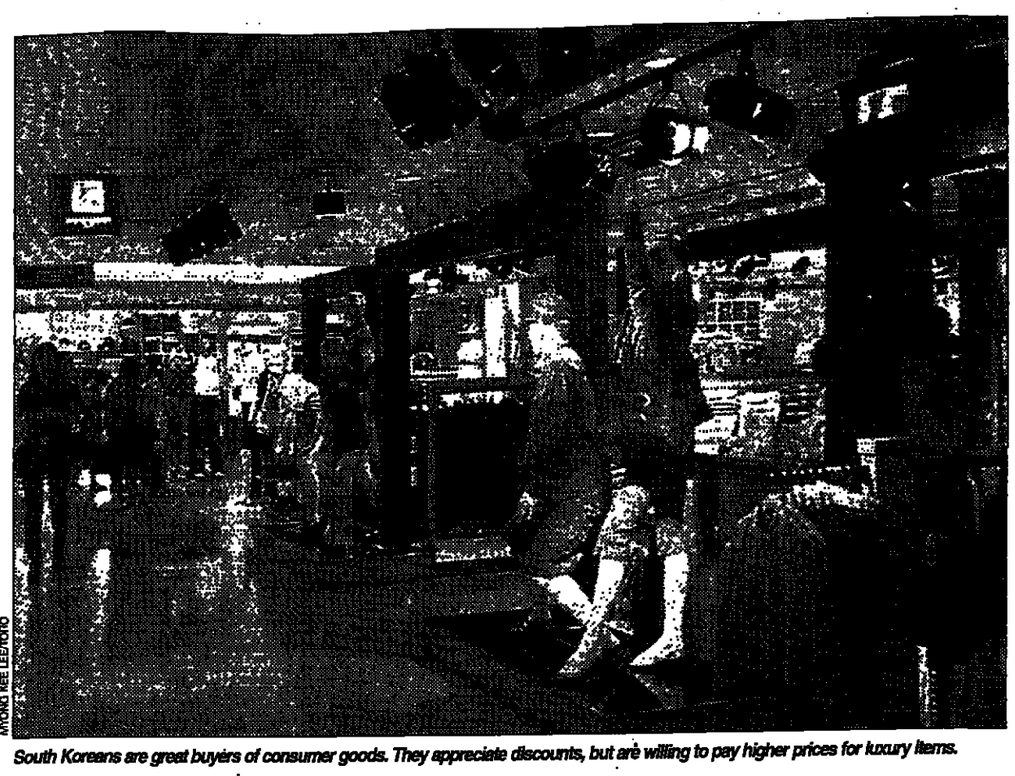
Premium prices

It seems that South Korean consumers are not averse to paying premium prices for imported luxury goods. A recent survey by the Korean Federation of Textile Industries found that average prices of 14 foreign brand names were 26 percent higher in Seoul than the same garments in Paris, Milan and New York. Meanwhile, imported brand name formal wear and casual shirts were five times more expensive in Seoul than the other three cities.

Nike, Reebok and Adidas sportswear boutiques are also going great guns in Seoul, a drastic turnaround from several years ago, when Korean street markets were rife with counterfeit brand-name sports shoes.

"The Koreans have finally realized that IPR [intellectual property rights] is important here," says one analyst. "That's because the Chinese were stealing them blind in some areas, and they wanted to protect their own IPR."

"The concern now is not so much market access," says Ms. Overby, "but issues like consumer bias against foreign products and transparent non-tariff barriers." **J.R.Y.**



MYONG KEE LEE/TONG

South Koreans are great buyers of consumer goods. They appreciate discounts, but are willing to pay higher prices for luxury items.



DAEWOO

In the year 2010, a typical living room may look like this.

FUTURE HOMES

New technology and materials will revolutionize the way we live.

Futuristic homes that combine space-age design with intelligent multimedia functions are generally the stuff of science fiction. But South Korean companies are making great strides in construction technology, and many, including Hyundai and Ssangyong, have built world-class reputations for innovation in construction materials.

Those who are fascinated by homes of the future now have a chance to make the fantasy a reality at Daewoo's "Human Space," a 2,310 square meter permanent exhibition located in the Severance Building Lobby, Chunggu, Seoul that demonstrates how new technology and materials will revolutionize the way people live in the future.

Drawing on advanced technologies that Daewoo Construction can already employ through its Zetta 21 Intelligent Buildings program, the Human Space exhibition showcases homes for the future, from the year 2000 to 2050. What they have in common is the optimization of the use of space and the integration of intelligent multimedia functions.

By the year 2005, for instance, a young professional couple might live in a studio apartment complete with multimedia system and a workstation where they could watch TV, access the Internet, see the people they are talking to on the phone and have videoconferences with the office.

By the year 2010, on the other hand, three generations might live together in a high-tech environment that nonetheless blends the past, present and future for the comfort and convenience of all generations. Features include a big-screen multimedia station and a house diagnostics system, which, for instance, can be consulted for temperature or blood-pressure readings. Intelligent controls will also, for example, run bath water to a desired temperature at a preset time.

By the year 2030, the versatile house has a space-age look, symmetrical design and facilities like an "air wash" system to replace conventional showering. By 2050, compact, capsule-style housing allows the inhabitant to control the entire environment. **P.H.**

Setting goals that seem unreachable might sound like a silly idea, but at Sunkyong, it's one we can't imagine doing without. In fact, it's a management style that we've worked in to a science. And last year, it helped us become a 33 billion dollar global company.

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BUILT FOR BUSINESS: SOUTH KOREA

DISCOVER EXOTIC DELICACIES AND TEMPLE CUISINE

Healthy and delicious Korean food appeals to gourmets and dieters alike.

While Thai, Chinese and Japanese restaurants are all the rage the world over, Korean food is probably one of the least-known and least appreciated of the Asian cuisines outside of its own country. That is a shame, because it is both tasty and healthy.

Even those who know nothing else about Korean food have almost certainly heard of *kimchee*, the hot and sour fermented vegetable that seems to be an absolute "must" at every meal. Love it or hate it — and kimchee is something of an acquired taste — you certainly can't ignore it on a trip to Korea. The most famous kimchee uses a kind of Chinese cabbage, but it can be made using all kinds of vegetables, including cucumber, radish or ginseng peel.


MYONG-KEE LEE/TOPKO
Korean-style Table d'Hôte dishes are traditional favorites.

Although there are many varieties — Seoul's kimchee museum classifies no less than 100,000 — the basic taste of each is derived from salt and lactic acid produced by the fermentation of such vegetables and spices as chili peppers, garlic, ginger and green onion. Sometime pickled fish or fresh seafood is also added.

Since the Seoul Olympics in 1988, there has been a steadily increasing international interest in this Korean staple, with exports rising by more than a quarter annually. Over 13,000 metric tons worth more than $50 million were exported last year.

Korean barbecue and Buddha's delight

Besides kimchee, *pulgogi*, or Korean barbecue, is probably the best-known Korean fare, and certainly the one that appeals most readily to foreign palates. Strips of meat and seafood are marinated and charcoal-grilled and then served, like all Korean meals, with numerous small bowls of vegetable side dishes called *punch'un*. These are often plentiful enough to be a meal in themselves.

A regional delicacy from the south, *bibimbap*, is a stir-it-yourself fried rice dish, served in a heated bowl with rice and numerous ingredients that are pounded together over the charcoal heat to form a delicious concoction.

Because of the traditional concentration on vegetables in Korean cuisine, some of the most interesting and atmospheric traditional Korean restaurants serve vegetarian dishes based on temple cuisine. Of particular note is Sanch'on, run by a former Buddhist monk, Kim Yong Shik, in the artistic Insa-dong district of Seoul.

Entering the restaurant is almost like entering a temple: You take off your shoes and walk down a courtyard lined with huge ceramic jars containing different varieties of kimchee. Diners sit on the Korean *ondol* floor, which is heated during the winter, and while the endless array of fresh, tasty dishes arrives, colorful Korean dances and music are performed.

The best way to sample the range of delicacies on offer is to order the full *table d'hôte* dinner, which includes around 20 bowls of food. You should also sample some *chongjong*, a mildly potent, milk-textured rice wine drunk from a bowl rather than a glass.

Tradition and innovation

Choi Nan Wha, the executive chef of The Shilla Hotel's famed Sorabol restaurant, has been with the hotel since it opened in 1978 and is frequently asked to cater state banquets at the Blue House, the South Korean presidential residence.

Her specialties are Korean-style Royal Table d'Hôte dishes, which she learned to make at the prestigious National Institute of Royal Korean Cuisine over 20 years ago. These include *Ku Jeol Pun*, an assortment of nine different vegetables served with pancake rolls — a kind of Korean fajita — and *Shin Sul Ro*, a meat and vegetable casserole. Although these dishes date back centuries, to the Shilla Dynasty, no details of the recipes were recorded until the turn of the century, at the end of the Chosun dynasty.

"Korea is a traditionally agricultural country, so Koreans have always preferred more vegetables in their diet," says Ms. Choi. "Meats were imported from overseas comparatively recently."

The secret of Korean food is the seasoning — the amount of garlic, soy sauce and chili pastes. Ms. Choi has noticed that since she began working in the catering industry, Korean's tastes have moderated. Some no longer like it hot.

"We used to like everything extremely hot and very salty — but now everyone is more health-conscious, so they prefer milder flavors." People also prefer individual portions of each dish over larger portions shared by all diners. **P.H.**


MYONG-KEE LEE/TOPKO
The elegant lobby of the Shilla Hotel in Seoul. Its 500 rooms feature fax machines and Internet access.

THE ART OF HOSPITALITY

Hotels offer world-class elegance and state-of-the-art services.

After a slow start compared with some of its Asian neighbors, South Korea is quickly gaining a reputation for the quality — and quirkiness — of its luxurious five-star hotels. There are more than 60 deluxe hotels at present, some of them managed by the world's top accommodation companies, including Hilton, Hyatt, Holiday Inn, Sheraton, Westin, Sofitel, Novotel, Inter-Continental and Ritz-Carlton.

But the country's most prestigious hotel is actually homegrown — the Hotel Shilla in Seoul. It epitomizes the finer points of Korean architecture and hospitality.

Named after an ancient Korean dynasty (57 B.C. to A.D. 935), the Shilla rises like a red-brick castle above Namsan Park in central Seoul. The design reflects both modern touches and typical Korean motifs like wadang relief patterns and green-tiled roofs.

The guest wing contains 500 elegant, comfortable and extremely practical rooms, especially rooms on the executive floors, which feature personal fax machines and Internet hook-up.

A tradition of luxury

Adjacent to the main building is the historic Yeong Bin Gwan, one of the most beautiful structures in Korea. Formerly a state guest house where more than 40 heads of state have slept, the temple-like "big house" now contains the Shilla's banquet rooms.

"We try to provide a typical Korean atmosphere in architecture and custom," says Shilla's general manager and vice president, Lee Young-Il. "I would say our strong points are service, security and the beauty of the hotel and its surrounding gardens."

Shilla's second hotel is situated on Cheju Island off the southern tip of the Korean Peninsula. Touted as the country's "first five-star resort hotel," the Shilla Cheju takes advantage of the island's long-time standing as a honeymoon haven and growing reputation as the golf mecca of North Asia. Cheju already has five golf courses, with another 16 in the works.

More expansion is in the cards for the future. Under the auspices of Samsung, its parent company, Shilla recently purchased a Norwegian cruise ship that will eventually ply routes in the Far East.

Shilla is developing a 200-300 room hotel in Warsaw adjacent to Samsung's East European headquarters and recently entered into a joint venture with Four Seasons to develop a luxury resort hotel in Saipan. Looking even further into the future, Shilla would like to develop hotels in Western Europe, Southeast Asia and the United States (New York and Los Angeles).

"We will also develop a chain of middle market hotels in Korea," says Mr. Lee. "The demand for mid-priced hotels is much greater than the demand for deluxe accommodation, and we would like to help fill that gap. I can't give you concrete timing, but we'll start in two to three years."

Business and leisure

Hilton Group also operates two South Korean properties: the 700-room Seoul Hilton in the capital and the Kyongju Hilton in the historic city of Kyongju in southeast Korea.

The Seoul Hilton, which recently underwent a $40 million renovation, has been a favorite of visiting businessmen for many years. Its stunning lobby, with a three-story atrium with bronze pillars and an Italian marble fountain, is the most spectacular in Korea.

Amenities include French, Japanese, Italian, Chinese, Korean and American restaurants, as well as an English-style pub called the Oak Room and a nightclub, Pharaohs, which is currently a favorite with Seoul's young, wealthy late-night crowd.

"You'll find at this hotel, as well as at many of the top properties in Seoul, a large percentage of the food and beverage business comes from locals," says John Pelling, executive assistant manager of the Hilton.

"A lot of Korean businessmen entertain in this hotel, and Korean guests often predominate at our fine-dining establishments."

Like many local hotels, the Seoul Hilton is trying to increase its percentage of leisure travelers by actively promoting itself overseas, either in conjunction with the Korea National Tourism Organization or other Hilton properties.

The Hilton recently dispatched a culinary team to India, where chefs prepared typical Korean dishes for diners at the New Delhi Hilton. "Korean Air instigated this particular promotion," says Mr. Pelling. "They wanted to commemorate a new service between Seoul and New Delhi with a Korean festival, and they invited us to join."

Another of Seoul's more distinctive hotels is the Sheraton Walker Hill. Located in the forested riverside setting on the outskirts of the capital, the hotel features a full-fledged casino and a Las Vegas-style floor show. The Sheraton also stages traditional Korean song and dance performances. **J.R.Y.**

TRAVEL TIPS FOR BUSINESS AND LEISURE

A list of Dos, Don'ts and Musts in the Land of the Morning Calm.

Visas

Visitors from most countries entering South Korea with confirmed outbound tickets may stay visa-free for up to 15 days. In addition, countries with which South Korea has visa exemption agreements may stay for up to 90 days without a visa.

Currency

The country's official currency is the South Korean won. The exchange rate is around 900 won per U.S. dollar.

Taxis

There are two types of taxis in Seoul. Deluxe taxis are bigger and more comfortable and driven by courteous uniformed drivers who usually know some addresses in English. Flagfall is 3,000 won.

Normal taxis are much cheaper, with a flagfall of 1,000 won, but the drivers seldom speak any English. These taxis may also stop to pick up other passengers, especially at night. Try to avoid the midnight rush in busy areas as it can be very hard to find taxis; if it is raining, it becomes almost impossible.

Arrival and Departure

The journey from Seoul's Kimpo International Airport to downtown usually takes 45 minutes, but can take much longer during rush hour.

A very efficient and inexpensive airport bus system operated by Korean Air connects with the hotels in downtown Seoul and is a good alternative to taxis for arrival and departure. International departure tax is 9,000 won.

Tipping

This is not a Korean custom and is best avoided. Some of the more luxurious hotels like The Shilla actually ask guests not to tip the staff. A 10 percent service charge will be added to your bill when necessary.

Business Hours

Businesses tend to open early, some as early as 7 A.M. Government offices are open from 9 A.M. to 6 P.M. except during the winter months, when they close at 5 P.M. On Saturday, they close at 1 P.M. Banks are open from 9:30 A.M. to 4:30 P.M. on weekdays and till 1:30 P.M. on Saturdays.

Business Etiquette

South Korea is a Confucian society where the traditional Asian values of hierarchy and respect for seniors are considered very important, especially among the older generations. You are unlikely to receive a direct "no" to a business proposal, as Koreans would rather save you face than give you a straightforward rejection. Hospitality is also important, and doing business with South Koreans may well involve some drinking and dining sessions. Since Koreans place a strong emphasis on personal relationships and getting to know their business partners, this aspect of business should not be overlooked. The person who extends the invitation should also provide the entertainment. **P.H.**

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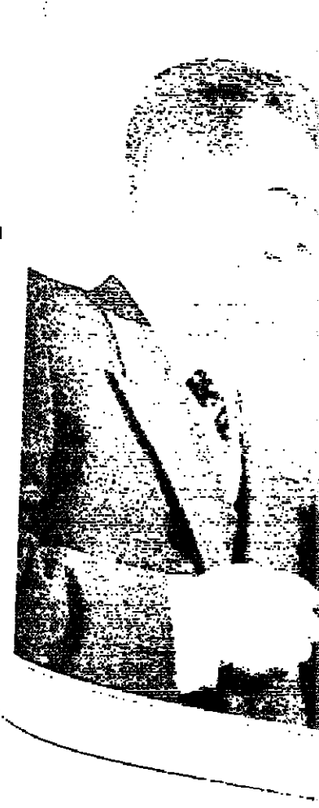
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BUILT FOR BUSINESS: SOUTH KOREA

IN EVERY SEASON

Attractions range from ski resorts to sandy beaches.

Few would dispute that South Korea has the natural talent to become a tourism superstar. From historic towns to ski resorts to a charming subtropical island called Cheju-Do, the country offers an amazing variety of sights for such a small place.

Kyongju, a city of 150,000 people about 300 kilometers southeast of Seoul, is the pride and joy of all Korea. It's been called a "museum without walls" and designated by UNESCO as one of the world's 10 most important historic sites. And for good reason.

It was from Kyongju, starting in AD 668, that the powerful Shilla kingdom unified the whole of the Korean Peninsula for the first time. For the next 200 years, it was one of the globe's most dynamic cities.

Art and architecture flourished, and a distinctive Shilla style emerged that is still recognizable today. Temples, tombs and great palaces arose, and many of them are still intact.

Skiing and sun worship

North of Kyongju are some of Korea's most stunning mountain and coastal resort areas.

Soraksan ("Snow Peak Mountain") rises to 1,708 meters amid the Taebaek Sanmaek, or Great White Range, one of the country's best national parks. Ski areas flank the park on either side, including Alps Ski Resort and Dragon Valley.

They have all the necessary facilities: ski runs, chair lifts, ski schools, rental facilities and lodges. Soraksan is also popular in summer, when Koreans flock to its superb hiking trails and lakes.

Serious sun worshippers head for the east coast beaches each summer. Among the best are Hwajinpo — a pristine strand near the demilitarized zone — and Kyongpo-dae, a wide, white-sand beach that has been a favorite Korean seaside retreat for many years.

The east coast is also famous for its fishing ports, which means plenty of fresh seafood. Sokcho is renowned for its octopus steaks and abalone stew. Yongdok is celebrated for its crab. Kyongpo-dae offers seafood soup and dried cuttlefish as its local specialties.

Urban pleasures

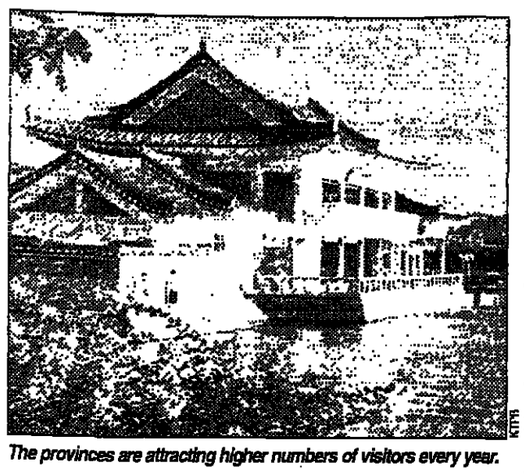
Taegu — Korea's largest inland city — is the center of an important agricultural region, especially famous for its apples. Taegu's markets overflow with the bounty of the surrounding fields and orchards, and the city boasts one of the best traditional medicine markets in Korea. Along Yak-chong Kol-mok (Herb Street) are dozens of *hanyak*, or medicine shops, that dispense exotic delights like ginseng.

Pusan dominates the country's southeast corner as effectively as Seoul dominates the northwest. It was from here that UN forces under the command of General Douglas MacArthur made their famous "break out" that turned the tide of the Korean War. Pusan has grown into a bustling metropolis of almost 4 million people. Korea's second largest city and most important seaport.

Natural beauty

To the west of Pusan is the starkly beautiful Hallyo Waterway region, an area that Koreans hope to develop into a major international holiday draw. The archipelago embraces 368 islands, barely a third of them inhabited and all now protected within the confines of a marine national park.

Farther afield is Cheju-Do island, which can be reached by plane from Seoul or ferry from Pusan. Long known as Korea's honeymoon haven, the rugged island is evolving into a well-rounded vacation spot that offers numerous recreational activities. Foremost is golf: the island already has five courses and another 16 are said to be in development. **J.R.Y.**



The provinces are attracting higher numbers of visitors every year.

SPORTS AND POLITICS DRAW VISITORS

South Korea will host the Asia-Europe Summit in 2000 and the 2002 World Cup.

To say that Lee Kyung Moon has big plans for Korean tourism is an understatement. The recently appointed president of the Korea National Tourism Organization (KNTO) wants to use the upcoming Asia-Europe Summit (2000) and World Cup (2002) — co-hosted with Japan — as springboards to launch the country into the big leagues of Asian travel.

"The goal of Korean tourism over the next decade is to promote Korea as a place of beauty and cultural attractions," says Mr. Lee. "We expect to be the second largest destination after China in this area."

What that means in real terms is 8 million foreign arrivals by 2004 and 10 million by 2007, when tourism-generated revenue is expected to reach $10 billion. Last year, South Korea attracted 3.68 million arrivals and $5.4 billion in tourist receipts.

KNTO and the nation's tourist-related industries have their work cut out for them if they hope to achieve those lofty goals. For one thing, tourism infrastructure is relatively undeveloped compared with that of the heavyweights of Asian tourism like Thailand, Hong Kong and Singapore.

More hotel rooms

"We have been suffering from a lack of hotel rooms to accommodate a large number of foreign visitors," says Mr. Lee. The shortage is especially acute beyond Seoul, where there is an almost total lack of international "brand name" hotels. The only exception is the popular Cheju-Do island resort. In order to stimulate hotel development, the government has eased regulations governing foreign investment in the hotel sector. The government is also urging hoteliers to discount the price of hotel rooms for foreign visitors.

In a related move, President Kim Young Sam has instructed the central government to delegate more authority and financial resources to the 15 major municipal and provincial governments in Korea, so these local bodies can develop their own economic and tourism projects.

"Many local governments are trying to attract more visitors into their own regions because tourism receipts will be one of their major revenue sources in future," says Mr. Lee.

South Korean companies in the sector are also moving into the provinces. Nasan Leisure Development Co, Ltd., for instance, is developing a large-scale tourist recreation center on 2.4 million square meters of land in Pochun-gun, Kyonggi province. This will include the Nasan Country Club — with an 18-hole golf course — as well as snow sledding and other facilities suitable for year-round visitors. Nasan is also developing other prime resorts in South Korea and abroad, including the Sunoon Country Club in Kochang, Nasan Chenju Resort Town and Saipan Tourism Development.

Improving access

Transportation projects like the new Inchon International Airport and the high-speed train between Seoul and Pusan are expected to improve tourist access to South Korea and its varied attractions.

Another pressing issue is giving South Korea a higher profile overseas. Over the next few years, KNTO will be participating in more international travel fairs and inviting more travel writers, agents and film crews to Korea in an effort to spread the message that the nation offers unique cultural and natural attractions. KNTO will also beef up its presence on the Internet.

Last year, nearly half of Korea's inbound travelers (41.4 percent) came from neighboring Japan. The next biggest groups came from Europe (11.5 percent) and the United States (10.8 percent). KNTO would like to see the number of arrivals from Europe, North America and Australasia increase substantially over the next decade.

Tourism authorities realize that it won't be easy. Japan and China, with their world-famous monuments and well-known cultures, tend to overshadow Korea's less familiar sights and society.

But that could be a boon rather than a bane, says Mr. Lee. He feels that Korea should promote itself as an additional stop in North Asia rather than as a separate destination.

With that in mind, municipal tourism authorities from Seoul, Beijing and Tokyo recently formed a joint body to promote "triple crown" vacations that take in all three cities.

In a related move, Cheju island is linking up with Bali (Indonesia), Okinawa (Japan) and Hainan (China) to form an integrated island tourism zone that will eventually be supported by direct air and sea routes between the four destinations.

Rediscover Korea

Outbound tourism is growing rapidly in the wake of South Korea's economic boom. More than 4.6 million Koreans went abroad last year, a 21.7 increase over the previous year and an amazing six-fold increase since 1988, when Seoul hosted the Summer Olympics.

In an effort to get more Koreans to take holidays in their own country, KNTO recently launched the "Rediscover Korea" promotion.

The advertising campaign targets seven domestic destinations as places that every Korean should visit. "The campaign is working well so far," says Mr. Lee. "The trend [in domestic tourism] is increasing, and the ratio of domestic to outbound travelers is decreasing." **J.R.Y.**

THE VIEW FROM THE TOP: IHT CONFERENCE UNITES BUSINESS AND POLITICAL LEADERS

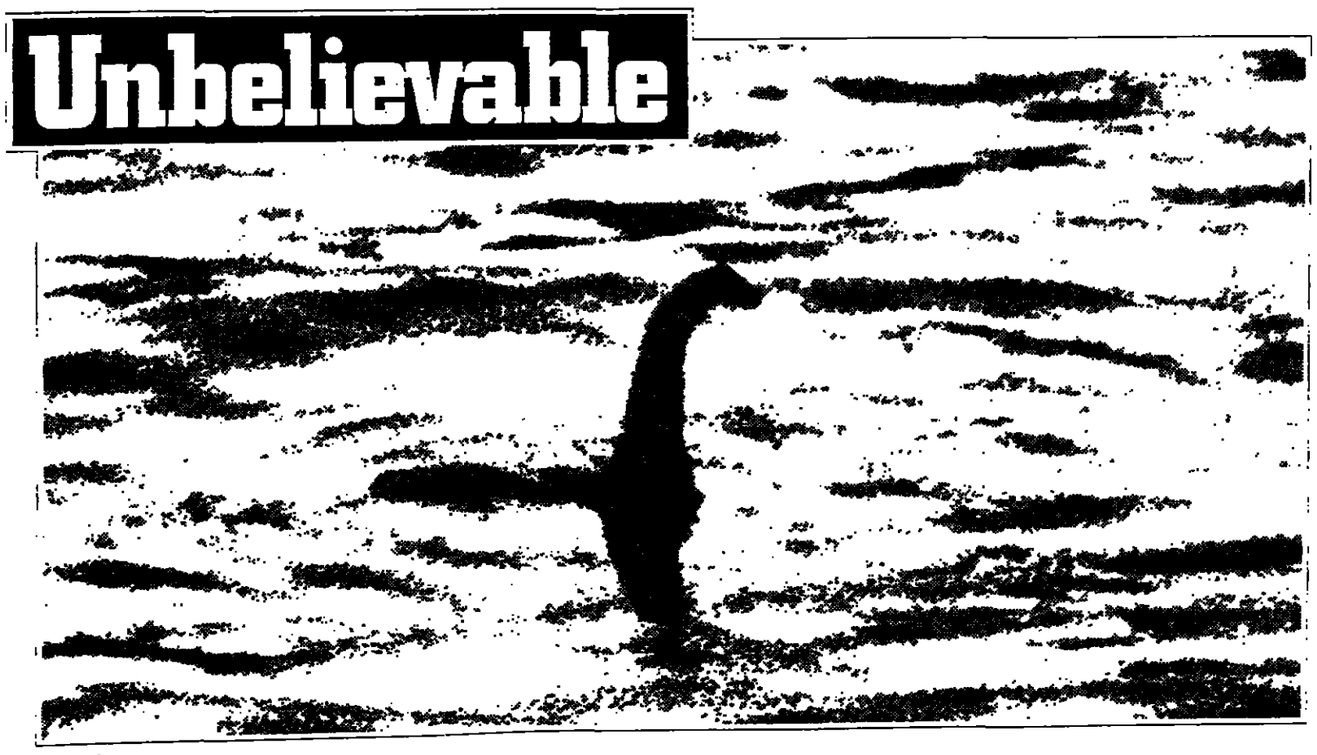
South Korea is embarking upon perhaps the most radical restructuring of its economy since its transition from a low-cost commodities producer to a technology-oriented economic giant. The International Herald Tribune's Korea Summit, which will be held on September 10, 11 and 12 in Seoul, will focus on the global business opportunities presented by this restructuring as South Korea embraces the concept of *saegaewha*, or globalization.

The conference gathers together several hundred of the highest level participants from the public and private sectors of South Korea and from around the globe. Sessions will focus on the practical issues that face the nation as it steers its course toward the 21st century.

The summit takes the format of two days of plenary sessions, followed by a third day of company workshops and events organized by South Korean conglomerates Samsung, Daewoo and Hyundai, as well as Hong Kong-based Peregrine Investment Holdings Ltd. Top executives from Daewoo, Hyundai, Samsung and Peregrine will also deliver important papers during the conference itself.

The summit includes keynote addresses on South Korea's economic restructuring from President Kim Young Sam, Deputy Prime Minister and Minister of Finance and Economy Kang Kyong Shik, Minister of Foreign Affairs Yoo Chang Ha and Minister of Construction and Transportation Lee Kwan Kyun. These addresses set out the bold new economic, financial, trade and infrastructure developments upon which South Korea is embarking.

One area of significant reform will be a greater autonomy in the future for the different provinces of Korea. A panel discussion with the governors of Chollabuk-do, Kyonggi and Kyongsangnam-do provinces examines the future role that the provincial authorities will play. High-level government participation from other countries includes an address from Utkur Sultanov, prime minister of Uzbekistan, where South Korean companies are making substantial investments; and Dr. Hartarto, coordinating minister for production and distribution of the Republic of Indonesia. A vice minister of China's Ministry of Foreign Trade and Economic Cooperation is scheduled to appear, subject to confirmation. Besides economic trends, South Korea's increasing role in regional security and global development cooperation will be examined. South Korea was admitted to the Organization for Economic Cooperation and Development (OECD) last year as the 29th member, and OECD Secretary General Donald Johnston will give an address on the role that South Korea is to play. South Korea's hand in regional security will be discussed by a panel comprising Richard A. Christenson, chargé d'affaires at the U.S. Embassy in South Korea; a senior representative of the Japanese mission to Seoul; and the Chinese ambassador to South Korea, Zhang Tingyan. **P.H.**



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SPORTS

2-Goal Recoba Upstages Ronaldo as Inter Wins

Compiled by Our Staff From Dispatches

Alvaro Recoba stole the thunder from Ronaldo on Sunday as Inter Milan beat Brescia, 2-1, on the opening day of the Italian League season.

Ronaldo failed to find the target on his debut in Italy, although he did rattle the crossbar with a free kick midway through the second half.

Dario Hubner gave Brescia the lead in the 73d minute, prompting Gigi Simoni, the Inter coach, to replace Maurizio Ganz later with Recoba, like Ronaldo a summer signing, in attack. Four minutes after coming on, the Uruguayan unleashed a stunning 25-yard drive to level the scores, and in the 87th minute he scored another to secure a stunning victory.

Juventus, the Serie A champion, seemed to be heading for an embarrassing goalless draw with newly promoted Lecce in Turin until Filippo Inzaghi, the Serie A's top scorer last season with Atalanta, struck in the 84th minute. Antonio Conte scored in injury time to give Juventus a 2-0 victory.

AC Milan had to settle for 1-1 draw at Piacenza where Daniele Delli Carri scored for both teams. The Piacenza defender scored an

EUROPEAN SOCCER

own goal in the 29th minute, but made amends by scoring the equalizer in the 64th.

Gabriel Batistuta scored a hat-trick for Fiorentina in a 3-2 comeback victory over 10-man Udinese.

The Brazilian striker Amoroso was both hero and villain for Udinese, opening the scoring in the 28th minute but was sent off three minutes later for applauding the referee — his clapping interpreted as an insult to the match official.

Batistuta leveled after an hour, and with his side trailing, 2-1, "Batigol" scored twice in the last five minutes to secure victory.

Parma, last season's runners-up, earned a 2-0 victory at newly-promoted Bari. Pietro Strada struck just before the break and Antonio Bennarivo added the second with a superb long-range shot. However, they finished with 10 men after Dino Baggio was sent off.

Roberto Baggio scored from the penalty spot on his debut with Bologna but couldn't prevent his new team from slumping to a 4-2 defeat away to Atalanta.

NETHERLANDS Ajax demolished FC Utrecht, 7-1, on Sunday to secure top spot in the Dutch premiership on goal difference.

The revamped Amsterdam team has won its first three matches and scored 17 goals. Utrecht's Harry Decheiver was the only player to beat keeper Edwin van der Sar.

Tijani Babangida of Nigeria scored first for Ajax. He was followed by newly-signed Danes Ole Tobiasen (twice) and Michael Laudrup, the Georgian Shota Arveladze and the Ajax veterans Jari Litmanen and Danny Blind.

Feyenoord, which beat De Graafschap Doetinchem, 2-0, with 10 men on Sunday, and Heerenveen, 3-1 winners at home to MVV Maastricht on Saturday, are level with the Amsterdammers on nine points.

SPAIN Clarence Seedorf scored from long range to give Real Madrid, the reigning champion, a 1-1 home draw with local rival Atletico on Saturday in an exciting match in which both teams created many chances.

Juninho had scored on his league debut to give Atletico the lead on the opening day of the Spanish season.

Seedorf, who had become a father the night before, scored with the outside of his right foot from 50 yards in the 75th minute as Real extended its unbeaten sequence over Atletico in the league to 12 games.

Real had fallen behind to a 16-minute goal from Juninho in the Brazilian's first league match for his new club.

ENGLAND Manchester United wrote a small piece of club history as it beat Coventry, 3-0, and kept the pressure on Blackburn at the top of the English Premier League. Peter Schmeichel's safe hands in goal ensured United had kept a clean sheet for five league games this season. It is the first time the club has started a season with five straight shutouts since joining the league 105 years ago.

Blackburn won 2-1 at newly-promoted Crystal Palace in south London. Blackburn leads Manchester United on goal difference. Both are on 13 points, three clear of the rest.

Andy Cole started for United for the first time this season and scored after 76 seconds with a shot deflected in past goalkeeper Steve Ogrizovic. Roy Keane, the captain, scored after a corner, and Karel Poborsky scored the third from a pass by Ryan Giggs, in the 72d minute.

Blackburn took the lead through Chris Sutton in the 23d minute. Kevin Gallacher made it 2-0 in the 31st before Palace pulled a goal back through Bruce Dyer in the 51st.

West Ham moved up to third place after beating Wimbledon, 3-1, at Upton Park. Ian Wright, of Arsenal, was booked in the first half of a goalless north London derby against Tottenham. Spurs played with 10 men after Justin Edinburgh was sent off in the 44th minute after fouling Wright.

Chelsea, who smashed six goals past Barnsley last Sunday, beat Southampton, 4-2, to go fourth despite ending with 10 men after defender Frank Sinclair was sent off for violent play 12 minutes from time.

GERMANY Bayern Munich, the German champion, beat Rostock, 3-1, Saturday to climb to second in the table, three points behind promoted Kaiserslautern, which won, 3-1, at Bochum on Friday.

After scraping only one point from its first two games, Bayern has won three in a row. Mehmet Scholl opened the scoring in the 58th minute and fellow midfielder Christian Nerlinger made it 2-0 eleven minutes later.

Rostock fought back with a goal by the Croatian Igor Pamic before striker Carsten Janker sealed victory for the visitors with three minutes remaining.

FRANCE Marco Simone scored twice as Paris Saint-Germain trounced Rennes, 4-1, at the Parc des Princes on Saturday to stay in touch with Metz, the French League leaders.

Metz retained top spot with a 2-1 away victory against title holders Monaco on Friday, making it five victories out of five for the leaders. Simone, a former AC Milan striker, struck in the 68th and 75th minutes.

(AFP, AP, Reuters)



Luca Bruno/The Associated Press

Ronaldo, right, of Inter Milan struggling to escape the attentions of Alberto Salvino of Brescia on Sunday.

Hingis Passes Test to Beat Russian

By Rachel Alexander
Washington Post Service

NEW YORK — You could say Martina Hingis was tested at the U.S. Open on Saturday, since she lost more than twice as many games in her two-set victory over Elena Likhovtseva than she previously had in the tournament. But defeating Likhovtseva, the world's 25th-ranked player, 7-5, 6-2, doesn't exactly count as a full-scale exam, and Likhovtseva knows it.

"I guess it was a little harder for her today, but she still won in two sets, so what does that say?" Likhovtseva asked. "I had a couple of great points, but I had problems with my serve. She is the Number One player in the world. When you play her, there's a chance to win, but really there's a good chance you are going to lose."

That may be an understatement. Hingis has been pushed to three sets only 16 times in 64 matches this year, and she had lost three games in her first two matches here. She is marching through her opponents in a bid for her third Grand Slam title this year with almost as much ferocity as men's defending champion Pete Sampras, who raced past Alex Radulescu, 6-3, 6-4, 6-4, in a third-round match that lasted just 1 hour 30 minutes.

The victory for Hingis, 16, guarantees that she will exceed the $4 million mark in career earnings here.

"I don't know where that money is," she joked. "I didn't know that. I think it's nice for me, though, no?"

For a few minutes Saturday, it seemed as if Hingis might have to work

U.S. OPEN TENNIS

harder than usual. She began the day in cruise control, going up 4-2 in the first set. Likhovtseva got to 4-4 by breaking Hingis's serve and then holding her own. The crowd, seemingly bored to that point, got into the match and behind the 20-year-old Likhovtseva, who plays doubles with the 16-year-old Russian phenomenon Anna Kournikova.

That's when a match between Hingis and Likhovtseva at the Lipton Championships earlier this season began flashing back to Hingis.

"I remember still that match from Key Biscayne when she gave me a hard time," said Hingis, who needed three sets to win that day. "I could have lost there. I knew she was going to give me a hard time. I was just maybe a little nervous, so I didn't serve as well."

Hingis's serving troubles subsided briefly, as she and Likhovtseva ripped through their service games to 5-5. But Hingis took the next two games easily, claiming the set and seemingly skipping out of danger.

Likhovtseva began the fight again in the second set, breaking Hingis early. Hingis broke back, then won her service game. At 3-2, Likhovtseva served in the match's longest game. It featured five deuces, and Likhovtseva had the advantage three times. Hingis finally won, capitalizing on two consecutive errors by Likhovtseva. That put Hingis up, 4-2, and sealed the match.

Sampras, who has yet to play more than three sets in a match in this tournament, said he needed to concentrate to beat 136th-ranked Radulescu. He has also beaten qualifiers Patrick Baur and Todd Larkham.

"These guys I'm playing have nothing to lose, so you have to stay on your toes," Sampras said. "I put so much emphasis on this tournament, and all the majors, that you try not to have your mind wander, you try to stay focused."

Sampras dealt with Radulescu's big serve relatively easily, saying later that accuracy is more important than speed.

Houston Is First Champion Of WNBA

By Amy Shipley
Washington Post Service

HOUSTON — Dozens of security officials held yellow rope to keep the fans off the court at the Summit as the final seconds ticked away in the first WNBA championship game, and there was beauty in the fact that the rope was needed.

The Houston Comets beat the New York Liberty, 65-51, on Saturday to become the Women's National Basketball Association's first champion.

The game's most valuable player, Houston guard Cynthia Cooper, finished off her 25-point performance by leaping onto the scorer's table.

Comet players hugged and danced, wearing their new world champion T-shirts and caps, as the sellout crowd remained, some staying for more than an hour after the game.

The postgame festivities were a celebration both of Houston's title and an inaugural WNBA season that attracted more than a million fans.

"This has been a thrill of a summertime," said Houston Coach Van Chancellor, who never won a national title in 19 years coaching the women's team at the University of Mississippi. "I'm about as happy today as I've ever been in my life."

New York brought the league's third-best defensive team and Houston brought the second best, and the result was teeth-rattling defense and plenty of missed shots. The Comets converted just 40.7 percent of its field goal attempts and New York connected on 38.3 percent.

The Liberty trailed by four points at halftime but seemed to lose its composure in the first five minutes of the second half, falling behind by 12.

New York forward Rebecca Lobo was kept in check — with 9 points, 9 rebounds — by the Comets' Tina Thompson, who scored 18 points. Point guard Teresa Weatherspoon, who got in foul trouble and seemed tentative offensively, had four points and five assists.

SCOREBOARD

BASEBALL

MAJOR LEAGUE STANDINGS

AMERICAN LEAGUE

EAST DIVISION	W	L	Pct.	GB
Baltimore	85	47	.644	—
New York	78	55	.586	7½
Boston	67	69	.493	20
Toronto	65	69	.485	21
Detroit	62	72	.463	24
CENTRAL DIVISION				
Cleveland	69	62	.527	—
Milwaukee	67	67	.500	3½
Chicago	67	68	.496	4
Kansas City	55	77	.417	14½
Minnesota	55	78	.414	15
WEST DIVISION				
Seattle	74	62	.544	—
Anaheim	73	63	.537	1
Texas	64	72	.471	10
Oakland	53	83	.390	21

NATIONAL LEAGUE

EAST DIVISION	W	L	Pct.	GB
Atlanta	84	51	.622	—
Florida	79	55	.590	4½
New York	72	62	.537	11½
Montreal	67	67	.500	16½
Philadelphia	50	81	.382	32
CENTRAL DIVISION				
Houston	70	65	.519	—
Pittsburgh	68	68	.500	2½
St. Louis	62	73	.459	8
Cincinnati	59	74	.444	10
Chicago	55	81	.404	15½
WEST DIVISION				
Los Angeles	78	59	.569	—
San Francisco	75	61	.551	2½
Colorado	67	70	.489	11
San Diego	64	73	.467	14

FRIDAY'S LINESCORES
INTERLEAGUE

Philadelphia 000 011 000—2 4 0
Detroit 000 210 22x—7 10 1
T.Green, Karp (7), Spradlin (7), Blazier (8) and Lieberthal; Blair, Miceli (9) and Casanova. W—Blair, 14-6. L—T. Green, 3-3.
Atlanta 010 004 130—9 16 0
Boston 000 000 001—1 8 0
Smoltz, Clontz (8), Ligtenberg (9) and J. Lopez; Sele, Hudson (4), Mahay (7), Brandenburg (7), Corsi (9) and Hatteberg. W—Smoltz, 13-10. L—Sele, 12-11. HRs—Atlanta, McGriff (18), Colbrunn (1). Boston, Jefferson (13).
Chicago (N) 100 010 040—6 13 1
Cleveland 000 210 31x—7 11 3
Je.Gonzalez, D. Stevens (7), Patterson (8) and Houston; Hershiser, M. Jackson (8), Assenmacher (8), Mesa (8) and S. Alomar. W—Mesa, 3-4. L—D. Stevens, 0-1.
Montreal 003 000 001—4 9 0
New York (A) 010 001 010—3 8 1
C.Perez, Kline (8), Telford (8), Urbina (9) and Fletcher, Widger (9); Gooden, Stanton (8), M.Rivera (9) and Posada. W—Telford, 4-4. L—M. Rivera, 4-4. Sv—Urbina (23). HR—Montreal, Strange (10).
Florida 000 302 120—8 10 0
Toronto 000 000 000—0 5 1
A.Leiter, F. Heredia (7), Powell (7), Vosberg (9) and C.Johnson; Person, Crabtree (7), Plesac (9) and B. Santiago. W—A. Leiter, 9-9. L—Person, 5-10. HR—Florida, C. Johnson (18).
Pittsburgh 000 001 000—1 8 0
Milwaukee 000 300 10x—4 6 1
Loaiza, Rincon (8) and Kendall; Karl, Wickman (8), Do.Jones (9) and Matheny. W—Karl, 10-10. L—Loaiza, 10-9. Sv—Do.Jones (29).
Cincinnati 000 300 101—5 9 0
Minnesota 020 000 010—3 7 2
Tomko, Belinda (6), Shaw (9) and J. Oliver; Fr.Rodriguez, Trombley (7), Swindell (8) and Steinbach. W—Tomko, 9-5. L—Fr.Rodriguez, 2-5. Sv—Shaw (28). HRs—Cincinnati, W. Greene (19). Minnesota, M. Cordova (11).
Houston 101 001 100—4 9 0
Chicago (A) 000 200 12x—5 8 1
R.Garcia, T. Martin (7), Hudek (8), Magnante (8) and Ausmus; Eyre, Foulke (6), T.Castillo (9), Karchner (9) and Fabregas. W—Foulke, 1-0. L—Hudek, 1-3. Sv—Karchner (11). HRs—Houston, Biggio (20), Bagwell (36). Chicago, Fabregas (7).
St. Louis 021 011 040—9 11 0
Kansas City 001 230 001—7 8 0
Lowe, Frascatore (5), Beltran (7), C. King (8), Eckersley (9) and DiFelice; Lampkin (8); Pittsley, Bones (3), Whisenant (6), Carrasco (7), Olson (8), J. Walker (9) and Mi.Sweeney. W—Beltran, 1-1. L—Carrasco, 1-4. Sv—Eckersley (31). HRs—St. Louis, McGwire (9), Plantier (3). Kansas City, J.King (19), Mi.Sweeney (6).
Seattle 201 000 020—5 7 1
Colorado 022 000 002—6 11 1
Claude, Ayala (7), Timlin (8) and Da.Wilson; Jm.Wright, Dipoto (8) and Je.Reed. W—Dipoto, 4-2. L—Timlin, 3-3. HRs—Seattle, Sorrento (26). Colorado, L.Walker (38), Galarraga (36), Castilla (37).
N.Y. (N) 120 000 000 000—3 9 1
Baltimore 000 000 210 001—4 10 1
12 innings
Micki. McMichael (7), Rojas (9), Wendell (11), Jo.Franco (11) and Hundley; Kamieniecki, Mills (8), Ra.Myers (9), A. Benitez (10), Rhodes (11) and Webster. W—Rhodes, 10-3. L—JoFranco, 4-2. HRs—New York, M. Franco (4). Baltimore, C. Ripken (15), Baines (14).
Anaheim 000 021 000—3 7 1
San Diego 000 000 001—1 5 0
K.Hill, Percival (9) and Kreuter; P.Smith, Bergman (6), Bochtler (8) and Flaherty, C.Hernandez (8). W—K. Hill, 7-11. L—P. Smith, 5-5. Sv—Percival (22).
Oakland 010 001 010 1—4 8 2
Los Angeles 000 200 100 2—5 8 0
(10 innings): Rigby, Taylor (8), TJ.Mathews (10) and Mayne; I.Valdes, Radinsky (8), Osuna (9) and Piazza. W—Osuna, 3-3. L—TJ.Mathews, 4-2. HRs—Oakland, Tejada (1), Mayne (4). Los Angeles, Karros (26).
Texas 000 200 020 000—4 10 1
S. Francisco 010 000 210 001—5 9 0
(12 innings): Helling, Patterson (7), Bailes (9), W. Heredia (10), Eversgerd (11), Moody (12) and I.Rodriguez; Gardner, Tavarez (8), R. Hernandez (8), Mulholland (10), R.Rodriguez (12) and B.Johnson. W—R. Rodriguez, 4-3. L—Eversgerd, 0-2. HR—San Francisco, Kent (26).: s.s1.sag BC-BBO-Linescores, Writethru,0433:

SATURDAY'S LINESCORES
INTERLEAGUE

Atlanta 202 401 050—15 19 0
Boston 000 001 100—2 7 1
Millwood, Cather (8), C.Fox (9) and J. Lopez; Wakefield, Wasdin (4), Hudson (8), Brandenburg (9) and Hatteberg. W—Millwood, 3-3. L—Wakefield, 9-15. HRs—Atlanta, McGriff 2 (20), Klesko (20).
Chicago 301 011 021—9 15 1
Cleveland 010 201 000—4 8 0
Tapani, Pisciotta (6), T.Adams (9) and Servais; Smiley, Shuey (6), Plunk (8) and Borders. W—Tapani, 4-3. L—Smiley, 2-4. HRs—Chicago, Glanville (4), MaGrace (10). Cleveland, Justice (30).
New York 000 221 403—12 19 0
Baltimore 030 200 001—6 9 1
Bohanon, Lidle (6) and Pratt; Krivda, Te.Mathews (5), Mills (7) and Hoiles. W—Bohanon, 4-3. L—Te.Mathews, 3-3. Sv—Lidle (2). HRs—New York, Gilkey (13). Baltimore, By.Anderson (16), Hoiles (11).
Florida 000 000 130—4 10 0
Toronto 000 000 010—1 3 1
A.Fernandez, Nen (9) and C.Johnson; Carpenter, Quantrill (8), Escobar (9) and B. Santiago. W—A. Fernandez, 17-9. L—Carpenter, 1-6. Sv—Nen (32).
Montreal 032 100 001—7 11 0
New York 000 000 020—2 5 1
P.J.Martinez and Fletcher; D.Wells, Nelson (9), Lloyd (9) and Girardi. W—P.J.Martinez, 16-6. L—D. Wells, 14-6. HRs—Montreal, R.White (22), Fletcher (17).
Anaheim 100 002 000—3 6 0
San Francisco 010 420 00x—7 10 0
D.Springer, P. Harris (5), Cadaret (7) and Kreuter; Estes, R.Rodriguez (7), R.Hernandez (8), Beck (9) and B. Johnson. W—Estes, 18-4. L—D. Springer, 8-7. HRs—Anaheim, Henderson (2). San Francisco, Snow 2 (24), Vizcaino (5).
Seattle 010 000 001—2 5 0
Los Angeles 230 204 00x—11 14 0
Wolcott, B. Wells (5), Charlton (7), Slocumb (8) and Marzano; R.Martinez, Dreifort (7) and Piazza, Prince (7). W—R. Martinez, 8-3. L—Wolcott, 5-6. Sv—Dreifort (3). HRs—Seattle, Sheets (2), Buhner (32). Los Angeles, Piazza (32), Karros (27).
Houston 010 000 100—2 3 0
Chicago 300 013 20x—9 14 1
Hampton, Lima (6) and Ausmus; Bere, McElroy (7), Sirotka (9) and Karkovice. W—Bere, 3-0. L—Hampton, 11-9. HRs—Houston, Bagwell (37), De.Bell (12). Chicago, Durham (9), Da.Martinez (11), Ordonez (1).
Philadelphia 001 001 000—2 8 0
Detroit 000 000 000—0 8 0
Beech, Bottalico (8) and Lieberthal; S.Sanders, M.Myers (6), Miceli (7), Brocail (8), To.Jones (9) and Walbeck. W—Beech, 3-8. L—S. Sanders, 4-12. Sv—Bottalico (26).
Cincinnati 000 010 000—1 7 2
Minnesota 010 003 00x—4 7 2
Morgan, Fe.Rodriguez (7), Sullivan (8) and J. Oliver; Hawkins, Guardado (8), Aguilera (9) and G. Myers. W—Hawkins, 5-9. L—Morgan, 5-11. Sv—Aguilera (21). HRs—Minnesota, Coomer (9), G. Myers (5).
Pittsburgh 010 100 001—3 10 0
Milwaukee 010 000 000—1 4 0
Lieber, Rincon (8), Loiselle (9) and Kendall; J.Mercedes, Fetters (9) and Matheny, Levis (8). W—Lieber 9-12. L—J. Mercedes 6-8. Sv—Loiselle (24). HR—Pittsburgh, M. Smith (8).
St. Louis 010 022 000—5 7 0
Kansas City 051 010 10x—16 15 0
Aybar, Petkovsek (2), Fossas (4), Bautista (7) and Pagnozzi; Belcher, J. Walker (8), Service (9) and Macfarlane. W—Belcher 12-12. L—Aybar 0-4. HRs—Kansas City, Halter (2), C. Davis (28), J. King (20), Palmer (18), Dye (5).
Oakland 010 000 002—3 9 1
Colorado 000 102 001—4 10 1
Haynes, Groom (7), A.Small (8), Mohler (9) and Mayne; F.Castillo, M. Munoz (7), Dipoto (9) and Manwaring. W—Dipoto 5-2. L—Mohler 1-10.
Texas 000 000 010—1 8 2
San Diego 300 001 00x—4 6 0
Te.Clark, Santana (6), Bailes (8) and Leyritz; Ashby, Hoffman (9) and C. Hernandez. W—Ashby 7-10. L—Te.Clark 1-7. Sv—Hoffman (31).

JAPANESE LEAGUES

CENTRAL LEAGUE

	W	L	T	Pct	GB
Yakult	65	44	2	.596	—
Yokohama	60	46	0	.566	3½
Hiroshima	56	51	0	.523	8
Hanshin	49	59	1	.454	15½
Chunichi	49	63	1	.438	17½
Yomiuri	47	63	0	.427	18½

PACIFIC LEAGUE

	W	L	T	Pct	GB
Seibu	62	45	2	.579	—
Orix	56	45	3	.554	3
Kintetsu	52	56	3	.481	10½
Nippon Ham	52	58	1	.473	11½
Daiei	51	58	1	.468	12
Lotte	46	57	2	.447	14

SATURDAY'S RESULTS
CENTRAL LEAGUE
Yakult 4, Chunichi 1
Hanshin 1, Yokohama 0
Yomiuri 8, Hiroshima 3
PACIFIC LEAGUE
Seibu 6, Orix 5
Kintetsu 4, Daiei 2
Lotte 8, Nippon Ham 2

SUNDAY'S RESULTS
CENTRAL LEAGUE
Yakult 2, Chunichi 1
Hiroshima 3, Yomiuri 1
Yokohama 2, Hanshin 1, 10 innings
PACIFIC LEAGUE
Seibu 9, Orix 7
Lotte 7, Nippon Ham 1
Daiei 1, Kintetsu 1, 12 innings

FOOTBALL

MAJOR COLLEGE SCORES

N. Carolina St. 32, Syracuse 31, OT
Pittsburgh 45, SW Louisiana 13
Virginia Tech 59, Rutgers 19
West Virginia 42, Marshall 31
Alabama 42, Houston 17
Florida 21, Southern Miss. 6
Georgia 38, Arkansas St. 7
Kentucky 38, Louisville 24
Louisiana Tech 30, Bowling Green 23
Mississippi 24, Cent. Florida 23, OT
Mississippi St. 13, Memphis 10
Morehouse 24, Morgan St. 14
Tennessee 52, Texas Tech 17
Vanderbilt 29, North Texas 12
William & Mary 31, Hampton U. 6
Nebraska 59, Akron 14
Oklahoma St. 21, Iowa St. 14
Miami 45, Baylor 14
Texas Southern 32, Prairie View 16
Air Force 14, Idaho 10
Arizona St. 41, New Mexico St. 10
Colorado St. 45, Nevada 13
Hawaii 17, Minnesota 3
Utah St. 21, Utah 14
Washington St. 37, UCLA 34

TOP 25 COLLEGE RESULTS

How the top 25 teams in The Associated Press' college football poll fared this week: No. 2 Florida (1-0) beat Southern Mississippi 21-6. No. 5 Tennessee (1-0) beat Texas Tech 52-17. No. 6 Nebraska (1-0) beat Akron 59-14. No. 9 Ohio State (1-0) beat Wyoming 24-10. No. 13 Syracuse (1-1) lost to North Carolina State 32-31 OT. No. 14 Miami (1-0) beat Baylor 45-14. No. 16 Alabama (1-0) beat Houston 42-17.

CFL STANDINGS

EASTERN DIVISION	W	L	T	PF	PA	Pts.
Toronto	7	2	0	14	288	173
Montreal	7	3	0	14	261	292
Hamilton	1	8	0	2	200	264
Winnipeg	1	8	0	2	196	291
WESTERN DIVISION						
Edmonton	7	2	0	14	268	212
British Columbia	6	4	0	12	304	274
Saskatchewan	4	5	0	8	194	234
Calgary	4	5	0	8	253	226

Saturday's Game
Montreal 34, British Columbia 33

GOLF

BMW OPEN

Leading scores Sunday from the final round of the dirs 1.2 million BMW Open, played at the 6,338-meter (6,923-yard), par-72 Munich Nord-Eichenried Golf Club in Munich, Germany:

x-R. Karlsson, Swe. 67-67-64-66—264
y-Carl Watts, Eng. 64-68-67-65—264
C. Montgomerie, Scot. 65-67-67—66—265
Fabrice Tarnaud, Fr. 63-68-68-67—266
Thomas Bjorn, Den. 68-65-68-66—267
Phillip Price, Wales 65-69-68-66—268
Jose Coceres, Arg. 69-66-66-67—268
Paul Broadhurst, Eng. 68-67-67-66—268
Eduardo Romero, Arg. 67-70-64-68—269
M. Angel Jimenez, Sp. 67-70-69-63—269
Padraig Harrington, Irl. 66-64-71-68—269
x-won playoff on third hole

JOHNNIE WALKER RYDER CUP

Leading European standings for the Ryder Cup to be played Sept. 26-28 at Valderrama in Sotogrande, Spain. European captain Seve Ballesteros will announce the team next Thursday.

1. Colin Montgomerie, Britain, 920,565 points
2. Darren Clarke, Britain, 594,813
3. Bernhard Langer, Germany, 529,638
4. Ian Woosnam, Britain, 514,059
5. Per-Ulrik Johansson, Sweden, 481,040
6. Lee Westwood, Britain, 468,153
7. Ignacio Garrido, Spain, 371,696
8. Thomas Bjorn, Denmark, 363,449
9. Costantino Rocca, Italy, 352,332
10. Miguel Angel Martin, Spain, 324,400
11. Jose Maria Olazabal, Spain, 321,396
12. Padraig Harrington, Ireland, 308,697
13. Paul Broadhurst, Britain, 294,202
14. Joakim Haeggman, Sweden, 248,640
15. Roger Chapman, Britain, 247,247

HISAMITSU KBC AUGUSTA

Leading final scores Sunday in 100 million yen, $847,000, Hisamitsu KBC Augusta on the 7,154-yard (6,510-meter), par-72 Koya Golf Club course in ITOSHIMA, Japan:

"Jumbo" Ozaki, Jap 65-67-67-67—266
Taichi Teshima, Jap. 72-70-69-67—278
T. Fukuzawa, Jap. 69-70-65-74—278
S. Conran, Australia 71-69-70-69—279
K. Masuda, Jap. 67-71-73-69—280
"Jet" Ozaki, Jap. 68-71-69-72—280
Ikuo Shirahama, Jap. 72-67-72-70—281
Hiroyuki Fujita, Jap. 72-66-69-74—281
T. Nakajima, Jap. 70-71-70-71—282
T. Watanabe, Jap. 73-67-72-71—283
M. Kimura, Jap. 71-72-68-72—283
T. Maruyama, Jap. 68-72-69-74—283

RUGBY UNION

INTERNATIONAL FRIENDLY
SATURDAY, IN WREXHAM, WALES
Wales 70, Romania 21

SOCCER

ITALIAN FIRST DIVISION
Atalanta of Bergamo 4, Bologna 2
Bari 0, Parma 2
Empoli 1, Roma 3
Internazionale of Milan 2, Brescia 1
Juventus of Turin 2, Lecce 0
Lazio of Rome 2, Napoli 0
Piacenza 1, AC Milan 1
Udinese 2, Fiorentina 3

DUTCH FIRST DIVISION
Heerenveen 3 MVV Maastricht 1
Roda JC Kerkrade 4 Groningen 1
NAC Breda 0 NEC Nijmegen 1
PSV Eindhoven 3 Willem II Tilburg 0
Fortuna Sittard 0 RKC Waalwijk 3
FC Utrecht 1, Ajax 7
Twente Enschede 2, Sparta Rotterdam 1
Feyenoord 2, Graafschap Doetinchem 0

FRENCH FIRST DIVISION
Bordeaux 3, Auxerre 2
Lens 0, Montpellier 0
Lyon 0, Bastia 2
Nantes 2, Le Havre 0
Paris 4, Rennes 1
Chateauroux 1, Cannes 2
Toulouse 1, Strasbourg 1
Guingamp 1, Marseille 1
Monaco 1, Metz 2
STANDINGS: Metz 15 points; Paris St Germain 12; Bastia 11; Bordeaux 10; Marseille 8; Lens 8; Toulouse 8; Montpellier 6; Strasbourg 6; Lyon 6; Nantes 6; Auxerre 6; Guingamp 5; Monaco 4; Le Havre 4; Rennes 4; Cannes 3; Chateauroux 2.

SPANISH FIRST DIVISION
Real Madrid 1 Atletico Madrid 1
Oviedo 2, Merida 0
Celta 2, Zaragoza 1
Athletic de Bilbao 1, Espanyol 3
Racing de Santander 1, Salamanca 0
Mallorca 2, Valencia 1
Compostela 2, Sporting de Gijon 0

GERMAN BUNDESLIGA
VfL Bochum 1, FC Kaiserslautern 3
Hertha Berlin 0, Hamburger SV 2
VfB Stuttgart 0, Borussia Dortmund 0
Schalke 2, Borussia Moenchengladbach 0
FC Cologne 5, VfL Wolfsburg 3
Werder Bremen 2, Bayer Leverkusen 1
Hansa Rostock 1, Bayern Munich 3
Karlsruher SC 1, MSV Duisburg 2
STANDINGS: FC Kaiserslautern 13 points; Bayern Munich 10; Schalke 9; Borussia Dortmund 8; VfB Stuttgart 8; Karlsruher SC 7; MSV Duisburg 7; Hansa Rostock 7; FC Cologne 7; VfL Wolfsburg 7; Bayer Leverkusen 6; Moenchengladbach 6; Arminia Bielefeld 6; Hamburger SV 5; Werder Bremen 5; VfL Bochum 4; 1860 Munich 3; Hertha Berlin 2.

ENGLISH PREMIER LEAGUE
Arsenal 0, Tottenham 0
Aston Villa 1, Leeds 0
Chelsea 4, Southampton 2
Crystal Palace 1, Blackburn 2
Derby 1, Barnsley 0
Manchester United 3, Coventry 0
Sheffield Wednesday 1, Leicester 0
West Ham 3, Wimbledon 1
STANDINGS: Blackburn 13, Manchester United 13 points; West Ham 10; Chelsea 9; Arsenal 9; Leicester 8; Tottenham 7; Newcastle 6; Crystal Palace 6; Barnsley 6; Liverpool 5; Coventry 5; Bolton 4; Leeds 4; Sheffield Wednesday 4; Derby 3; Everton 3; Southampton 3; Aston Villa 3; Wimbledon 2.

MAJOR LEAGUE SOCCER
Tampa Bay 4, New England 0
Columbus 2, Los Angeles 0
STANDINGS: Eastern Conference: D.C. 45; Tampa Bay 39; Columbus 32; New England 28; NY-NJ 25. Western Conference: Kansas City 43, Colorado 35; Dallas 30; Los Angeles 26; San Jose 24.

COSAFA CUP
Namibia 1, Zambia 1
FINAL STANDINGS: Zambia 8 points; Namibia 6; Mozambique 5; Tanzania 3; Malawi 2.

TENNIS

U.S. OPEN

FRIDAY'S RESULTS
WOMEN'S SINGLES
THIRD ROUND
Mary Pierce (9), France, def. Natasha Zvereva, Belarus, 7-6 (7-1), 6-1.
Sandrine Testud, France, def. Elena Wagner, 6-1, 6-3
Karina Habsudova, Slovakia, def. Magdalena Maleeva, Bulgaria, 0-6, 7-5, 6-1.
Amanda Coetzer (5), South Africa, def. Flora Perfetti, Italy, 6-2, 7-5.
Venus Williams, U.S., def. Anke Huber (8), Germany, 6-3, 6-4.
Joannette Kruger, S. Africa, def. Tamarine Tanasugarn, Thailand, 6-7 (2-7), 7-5, 6-4.

MEN'S SINGLES
SECOND ROUND
Lionel Roux, France, def. Paul Haarhuis, Neth., 7-6 (7-5), 6-3, 6-7 (5-7), 6-7 (3-7), 6-4.
Justin Gimelstob, U.S., def. Magnus Gustafsson, Swe., 6-3, 3-6, 7-6 (7-4), 4-6, 6-1.
Andre Agassi, U.S., def. Adrian Voinea, Romania, 6-0, 6-2, 6-2.
Leander Paes, India, def. Arnaud Boetsch, France, 6-4, 6-0, 2-1, retired.
Sergi Bruguera (7), Spain, def. Grant Stafford, South Africa, 6-4, 6-2, 7-6 (7-3).
Sargis Sargsian, Armenia, def. Chris Woodruff, U.S., walkover.
Marcelo Rios (10), Chile, def. Kenneth Carlsen, Denmark, 6-4, 5-7, 3-6, 6-1, 7-6 (7-3).
Michael Chang (2), U.S., def. Jeff Salzenstein, U.S., 4-6, 6-2, 6-3, 6-4.

SATURDAY'S RESULTS
WOMEN'S SINGLES
THIRD ROUND
Magui Serna, Spain, def. Kimberly Po (16), U.S., 6-4, 6-3.
Arantxa Sanchez Vicario (10), Spain, def. Alexandra Fusai, France, 6-2, 6-1.
Mary Joe Fernandez (12), U.S., def. Paola Suarez, Argentina, 6-1, 6-2.
Rachel McQuillan, Australia, def. Conchita Martinez (7), Spain, 6-2, 7-5.
Martina Hingis (1), Switzerland, def. Elena Likhovtseva, Russia, 7-5, 6-2.
Florencia Labat, Argentina, def. Olga Barabanschikova, Belarus, 4-6, 7-6 (7-0), 6-1.
Lindsay Davenport (6), U.S., def. Patty Schnyder, Switzerland, 1-6, 6-1, 6-4.
Jana Novotna (3), Czech Republic, def. Mirjana Lucic, Croatia, 6-2, 6-7 (3-7), 6-3.

MEN'S SINGLES
THIRD ROUND
Richard Krajicek, Netherlands, def. Alex Corretja (6), Spain, walkover.
Greg Rusedski, Britain, def. Jens Knippschild, Germany, 7-6 (7-5), 6-3, 6-1.
Petr Korda (15), Czech Republic, def. Martin Damm, Czech Republic, 4-6, 6-3, 6-4, 7-5.
Pete Sampras (1), U.S., def. Alex Radulescu, Germany, 6-3, 6-4, 6-4.
Daniel Vacek, Czech R., def. Mark Philippoussis (14), Australia, 7-6 (7-4), 7-5, 6-2.
Scott Draper, Australia, def. Jeff Tarango, U.S., 7-6 (8-6), 3-6, 2-6, 6-4, 6-4.
Felix Mantilla (12), Sp., def. John van Lottum, Neth., 6-7 (0-7), 6-2, 4-6, 7-6 (7-5), 6-2.
Jonas Bjorkman, Sweden, def. Gustavo Kuerten (9), Brazil, 6-3, 6-1, 7-5.

SUNDAY'S RESULTS
WOMEN'S SINGLES
FOURTH ROUND
Venus Williams, U.S., def. Joannette Kruger, South Africa, 6-2, 6-3.
Monica Seles (2), U.S., def. Mary Pierce (9), France, 1-6, 6-2, 6-2.
Sandrine Testud, France, def. Karina Habsudova, Slovakia, 6-3, 4-6, 7-6 (7-1).

MEN'S SINGLES
THIRD ROUND
Patrick Rafter (13), Australia, def. Lionel Roux, France, 6-1, 6-1, 6-2.
Cedric Pioline, France, def. Leander Paes, India, 3-6, 7-6 (7-5), 1-6, 6-3, 6-4.

TRANSITIONS

BASKETBALL
NATIONAL BASKETBALL ASSOCIATION
ATLANTA—Agreed to terms with G Mookie Blaylock on 4-year contract extension. Named Chris Tucker trainer.
FOOTBALL
NATIONAL FOOTBALL LEAGUE
BUFFALO—Agreed to terms with DE Bruce Smith.
INDIANAPOLIS—Signed FS Jason Belser to 3 contract extension.
KANSAS CITY—Released DT Mike Thompson. Signed OL Glenn Parker to 3-year contract.
MIAMI—Extended the contract of C John Bock through 1998.
PHILADELPHIA—Released S Blaine McElmurry.
TAMPA BAY—Released WR Nigea Carter.
HOCKEY
NATIONAL HOCKEY LEAGUE
ANAHEIM—Signed D Darren Van Impe to 2-year contract.
LOS ANGELES—Traded F Dmitri Khristich and G Byron Dafoe to Boston for C Jozef Stumpel, RW Sandy Moger and a 1998 4th-round draft choice.

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~Memorable Moments from Johnnie Walker: RYDER CUP *with Bernard Gallacher*



A CATALOGUE OF ERRORS AT KIAWAH ISLAND.
Written with R. Simmons. Designed & Illustrated by Dave Smith • International Herald Tribune : Professional Sports Partnerships Ltd.

Houston Is First Champion Of WNBA

Rookie Shines Again for Florida

Hernandez, Defeating Toronto, Lifts Unbeaten Record to 9-0

The Associated Press

Livan Hernandez, a Cuban rookie, improved to 9-0, and the Florida Marlins completed a three-game sweep of Toronto on Sunday with an 8-1 victory over the Blue Jays at their home field.

The Blue Jays observed a moment of silence prior to the game in memory of Diana, princess of Wales, killed Sunday morning in a car crash.

Hernandez became the first rookie to win his first nine decisions since Whitey Ford of the New York Yankees in 1950. The right-hander also set a club record with six straight strikeouts as Florida won for the seventh time in nine games.

Hernandez, who defected from Cuba in 1995, matched a career-high with eight strikeouts. He allowed seven hits in 7⅔ innings of his 12th major league start.

Edgar Renteria went 3-for-4 with a run-scoring single and Gary Sheffield homered for the Marlins.

Tigers 2, Phillies 1 Justin Thompson outdueled Mark Leiter and Deivi Cruz had three hits for the Tigers as they beat Philadelphia in Detroit.

Thompson gave up a run on six hits in 7⅔ innings, striking out seven. He was 0-2 in three starts since a complete-game, 4-2 victory Aug. 10 at Toronto.

Leiter, who had won four of his last six starts, allowed two runs on seven hits in seven innings. The former Tigers pitcher matched his season high with nine strikeouts.

The Tigers scored twice in the fourth inning. Travis Fryman hit a leadoff double, moved up on Bob Hamelin's single and scored on Melvin Nieves' sacrifice fly.

Hamelin took second on Raul Casanova's groundout before Cruz flared a single over second baseman Kevin Sefcik, giving the Tigers a 2-0 lead.

The Phillies got their only run when Rex Hudler doubled and scored on Scott Rolen's single in the sixth.

Indians 9, Cubs 5 In Cleveland, Charles Nagy looked ready for September, and Matt Williams extended his hitting streak to a career-high 17 games with two run-scoring singles as the Cleveland Indians beat the Chicago Cubs 9-5.

Nagy (13-9) rebounded from a poor start, allowing one earned run and nine hits in seven innings. He improved to 48-20 — third-best in the majors since 1994 behind Baltimore's Mike Mussina and Atlanta's Greg Maddux.

The Indians led 8-0 after five innings. The Cubs got on the scoreboard in the sixth on Dave Clark's RBI single, and added an unearned run in the seventh.

Cleveland's Jeff Juden, acquired from Montreal on July 31, had another disappointing outing in relief of Nagy. He got only two batters out in the eighth and allowed a two-run homer to Dave Clark.

Marquis Grissom hit his 10th homer in the eighth off Ramon Tatis, giving Cleveland a club-record 50 homers in August and shattering a record that had stood since 1950.

Anticipating a tight, National League-style game, the Indians reverted to American League strategy in the first. After Brian Giles singled and Omar Vizquel walked, Kevin Seitzer sacrificed. Both scored when Jim Thome hit a sacrifice fly and Matt Williams singled.

Cleveland scored three more runs in the second. Seitzer drilled a two-run double, and Thome sent Seitzer home with a single.

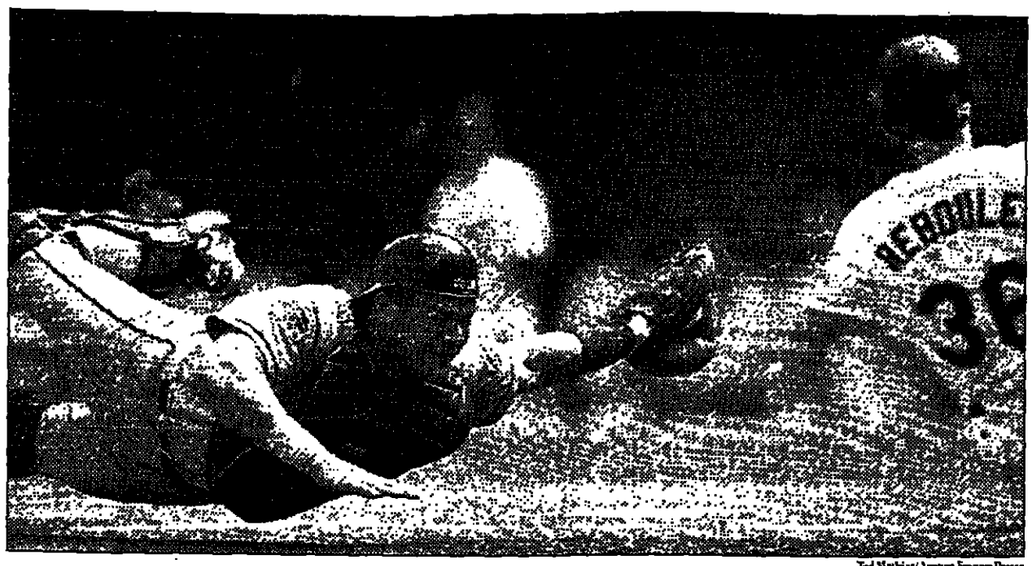
Williams hit another run-scoring single, and Sandy Alomar lined an RBI double to right. Tony Fernandez's sacrifice fly made it 8-0.

■ Indians Get Roberts

Cleveland, seeking a speedy, versatile leadoff hitter for the stretch drive, acquired Bip Roberts from the Kansas City Royals for a minor league pitcher Sunday, The Associated Press reported from Cleveland.

Roberts, 33, was batting .309 with one home run, 36 RBIs and 15 stolen bases with Kansas City. A switch-hitter and career .297 hitter, Roberts could give the AL Central-leading Indians the spark they have lacked in the leadoff spot since Kenny Lofton was traded to the Atlanta Braves.

SUNDAY'S BASEBALL



Ted Mathias/Agence France-Presse

Mets' catcher Todd Pratt taking a dive trying to tag the Orioles' Jeff Reboulet, who had already touched home.

Atlanta Shuts Down Boston, 15-2

In Victorious Homecoming, Braves Rap Red Sox for 19 Hits

The Associated Press

Fred McGriff homered twice and Nomar Garciaparra didn't get a hit at all as the Atlanta Braves continued to exact their revenge on the team that chased them out of Boston, beating the Red Sox, 15-2.

Garciaparra's hit streak ended at 30 — a record for American League rookies and tied for the longest in the majors this year — but short of Benito Santiago's rookie record of 34.

Kevin Millwood got Garciaparra to hit three fly balls, one of them a sacrifice fly, and reliever Mike Cather got him on a line drive to left in his last at-bat, in the eighth.

A day after winning, 9-1, in their first game in Boston since the franchise moved to Milwaukee in 1953, Atlanta clobbered the Red Sox again. The Braves got 19 hits and matched a season-high for runs, with Chipper Jones tying an Atlanta record by scoring five times.

McGriff was 4-for-5 with five runs batted in.

Expos 7, Yankees 2 In New York, Paul O'Neill reached up, a fan reached out and Montreal's Darrin Fletcher circled the bases. This time, the right-field railing at Yankee Stadium took one away from the home team.

Pedro Martinez pitched a five-hitter, and Fletcher hit a three-run homer, thanks to help from a fan in right.

O'Neill timed his leap perfectly but came down empty handed as a fan pulled the ball over the wall, giving Fletcher his 17th homer.

It also gave Yankees fans a flashback of last year's playoffs when 12-year-old Jeffrey Maier helped win a game for New York.

As first base umpire Mike Reilly signaled home run, O'Neill threw his arms up in disgust and yelled toward the young man, who celebrated his catch before being ejected by stadium security.

Dodgers 11, Mariners 2 Ramon Martinez held Seattle to three hits in six innings and singled twice, and Mike Piazza hit a three-run homer Saturday to lead Los Angeles over visiting Seattle.

Giants 7, Angels 3 Shawn Estes became the second NL pitcher with 18 victories and J.T. Snow hit a pair of two-run homers as host San Francisco beat fading Anaheim.

Estes (18-4), who has won his last six decisions, allowed three runs on five hits in six innings.

Marlins 4, Blue Jays 1 In Toronto, Alex Fernandez allowed three hits in eight innings for Florida. Fernandez (17-9) gave up one run, struck out seven and walked one.

Mets 13, Orioles 6 Bernard Gilkey had three hits, including a three-run homer, as the Mets ended Baltimore's run of success against New York teams.

Gilkey tied his career high with four RBIs, and Luis Lopez drove in a season-high three runs for the visiting Mets, who used a 19-hit attack to improve to 3-8 in interleague play.

The Orioles were 5-0 this year against New York teams, taking four from the Yankees before beating the Mets on Friday.

Cubs 9, Indians 4 In Cleveland, Doug Glanville homered and had three hits, and Mark Grace hit his 10th homer and a run-scoring triple as last-place Chicago beat the first-place Indians.

White Sox 9, Astros 2 Jason Bere stayed unbeaten in three starts since coming off the disabled list, allowing only Derek Bell's 12th homer in the second and Jeff Bagwell's 37th in the seventh, in six-plus innings for host Chicago.

Phillies 2, Tigers 0 In Detroit, Matt Beech pitched 7⅔ innings of six-hit ball and Philadelphia ended a nine-game interleague losing streak.

Twins 4, Reds 1 Paul Molitor broke a 1-1 tie with a two-out single in the sixth inning, and Ron Coomer followed with a two-run homer for Minnesota.

Pirates 3, Brewers 1 In Milwaukee, Mark Smith went 4-for-4 with a homer and a double, and Jon Lieber pitched five-hit ball over seven innings as Pittsburgh ended its three-game losing streak.

Royals 16, Cardinals 5 Jermaine Dye hit a double and a grand slam in one inning for host Kansas City.

After Dye's grand slam put the Royals on top 14-1 in the bottom of the fourth, Mark Petkovsek hit Johnny Damon with a pitch and Damon charged the mound. Both benches and bullpens came running onto the field after Damon charged.

Rockies 4, Athletics 3 In Denver, Walt Weiss singled in the winning run from third with one out in the ninth for Colorado's fifth straight victory.

Neifi Perez, whose error in the top of the ninth allowed the A's to tie the score, led off the bottom of the inning with a single, and went to second when center fielder Scott Brosius bobbled the ball.

Padres 4, Rangers 1 Andy Ashby allowed one run in eight innings in winning for the first time in eight starts since July 20 for San Diego, playing at home. The victory was the Padres' first in three games against the Rangers.

BASEBALL ROUNDUP

Without Parcells, Patriots Still Win

The Associated Press

Drew Bledsoe claimed he was more comfortable without Bill Parcells. He wasted little time showing it Sunday.

Bledsoe ran the offense of new coach Pete Carroll with precision, throwing touchdown passes to four receivers in the first half and leading the New England Patriots to a 41-7 victory over the San Diego Chargers.

Rarely in last season's surge to the Super Bowl — where they lost to Green Bay — did the Patriots play as well as they did Sunday.

In the first half, the offense scored on five of its six possessions, while the defense recovered two fumbles, forced four punts, sacked Stan Humphries three times and allowed no points. And it knocked Humphries from the game with a dislocated throwing shoulder in the fourth quarter.

But Bledsoe was the key to the Patriots' dominant start of their defense of the AFC championship.

He completed 26 of 39 passes for 340 yards, with touchdowns to Ben Coates, Terry Glenn, Sam Gash and Keith Byars. By halftime, he was 19-of-24 for 271 yards and had tied Babe Parilli's 30-year old team record with four scoring passes in a half, while the Patriots outgained the Chargers 323 yards to 47.

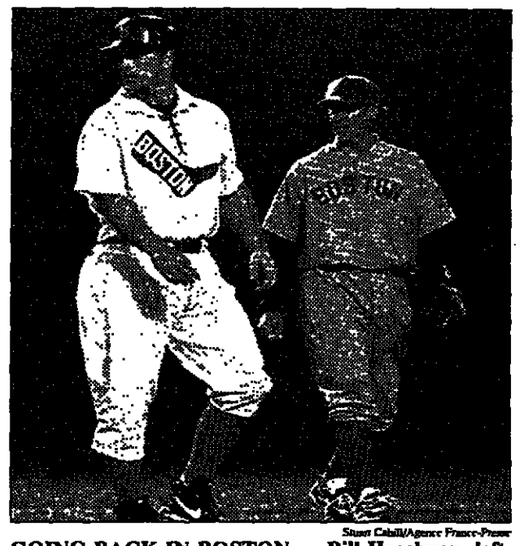
Vikings 34, Bills 13 The Todd Collins era began the same way Jim Kelly's did 11 years ago — with a loss for the Buffalo Bills.

Robert Smith gained a career-high 169 yards on 16 carries and broke loose on a 78-yard touchdown run early in the fourth quarter as the Minnesota Vikings beat the Bills, 34-13, in a season opener.

Minnesota linebacker Jeff Brady put Buffalo away when he picked up a fumbled snap and ran 30 yards for a touchdown with 11:03 left in the game.

Minnesota's Brad Johnson completed 17 of 30 passes for 218 yards and two touchdowns to Cris Carter, who had eight catches for 119 yards. Greg Davis kicked field goals of 21 and 43 yards.

NFL ROUNDUP



Stuart Cahill/Agence France-Presse

GOING BACK IN BOSTON — Bill Haselman, left, wearing 1908 Red Sox uniform; Atlanta's Jeff Blauser in Boston Braves' 1912 uniform. The Braves, who left Boston in 1952, returned for an interleague series.

Syracuse Falls to North Carolina State

No Problems for Florida, Nebraska and Tennessee in Opening Games

New York Times Service

SYRACUSE, New York — One week after Syracuse opened the college football season by thrashing Wisconsin in the Kickoff Classic, the 13th-ranked Orangemen lost in overtime, 32-31, to North Carolina State, which finished last season at 3-8.

North Carolina State won the game Saturday with a 2-point conversion when Jamie Barnette completed a pass to Torry Holt, who was streaking from the right side into the left corner of the end zone.

"Two plays before we scored, I said we're going for two," said Mike O'Cain, the Wolfpack coach. "I didn't know what defense they would be in, but what I felt was they weren't confident. They're thinking: 'We just got hit. We just got a touchdown scored against us. This game should have been over a long time ago. We're 25-point favorites. This game shouldn't be like this.'

The Orangemen, coming into the game after a 34-0 rout of Wisconsin last Sunday, jumped to a 14-0 first-quarter lead, scoring on the first play from scrimmage with a 67-yard touchdown pass.

"We started O.K., but even as the game was going on, even though we were winning, I knew something bad was going to happen," said Jason Walter, a Syracuse defensive player.

The Wolfpack never rolled over, despite the low expectations. They battled back from deficits of 14-0 and 17-0, and came back again when the Orangemen scored a 73-yard touchdown on a punt return with 9 minutes 51 seconds to play.

And they were facing elimination in the final minute of regulation when Syracuse pushed down to the 2-yard line with 30 seconds left.

As freshman Dee Brown tried to reach over the goal line Tony Scott stripped the ball out of his hands. The Wolfpack recovered and ran out the clock, forcing the extra session.

In other games, The Associated Press reported:

No. 2 Florida 21, Southern Mississippi 6 In Gainesville, Florida, Doug Johnson, who replaced the Heisman Trophy winner Danny Wuerffel in the Gators' Fun 'n' Gun offense, was shaky but still threw for two touchdowns and ran for another. Johnson was 17-of-34 for 231 yards and three interceptions. He had TD passes of 25 and 18 yards.

No. 5 Tennessee 52, Texas Tech 10 Peyton Manning, the Tennessee quarterback, tied the single-game school record for TD passes last accomplished by Heath Shuler in 1993 before the home crowd in Knoxville. Manning was 26-for-38, with one interception, before leaving with 4½ minutes left in the third quarter. He threw for 310 yards and five touchdowns.

No. 6 Nebraska 59, Akron 14 It was another minor team, another breeze for Nebraska as Scott Frost ran for 123 yards and two TDs, and Ahman Green scored twice.

No. 14 Miami 45, Baylor 14 In Waco, Texas, Edgerrin James scored on runs of 23, 5 and 37 yards as Miami piled on the rushing yardage and spoiled Dave Roberts's coaching debut. After tailback Dyral McMillan strained a hamstring in the first quarter, James came in and finished with 120 yards.

No. 16 Alabama 42, Houston 17 The Mike DuBose years began as Curtis Alexander ran for three touchdowns, the 16th-ranked Crimson Tide built an early 28-point lead to beat Houston in Birmingham, Alabama.

"I didn't think a football game could be that long," said DuBose, the new Alabama coach. "We were up 28-0, and I thought the game was over with, but Houston didn't."

Washington State 37, UCLA 34 UCLA was stopped at the 1-yard line with 2:48 left and Washington State came away with a 37-34 victory in Pullman, Washington. The Cougars' Ryan Leaf was 17-of-32 for 381 yards and three touchdowns. Skip Hicks led UCLA with 190 yards rushing and four TDs.

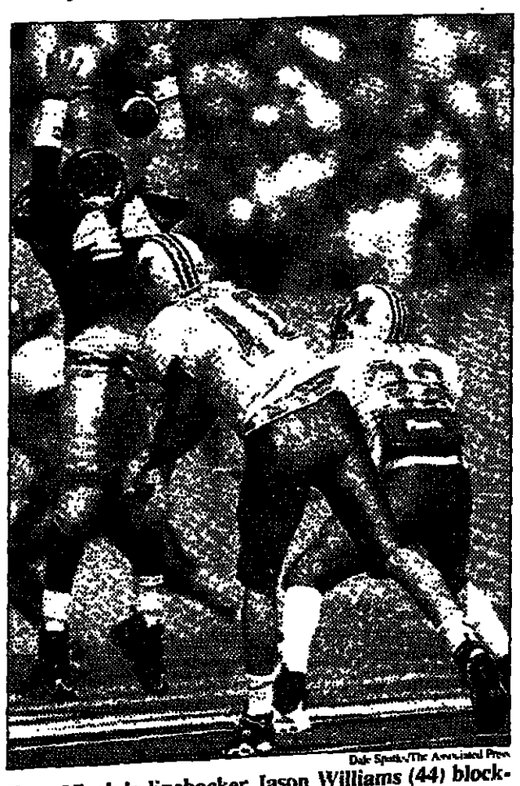
Morehouse 24, Morgan State 14 Doug Williams, the former Super Bowl MVP, made a successful coaching debut when Morehouse scored two TDs in a 20-second span of the fourth quarter for a victory in Atlanta.

Mississippi State 13, Memphis 10 In Starkville, Mississippi, Brian Hazelwood kicked a career-best 53-yard field goal on the final play to win over Memphis.

West Virginia 42, Marshall 31 Marshall, led by star wide receiver Randy Moss, made its move to Division I-A by scaring West Virginia before losing in the first game between the teams in 74 years.

Kentucky 38, Louisville 24 In Lexington, Kentucky, Tim Couch completed 36 of 50 passes for 398 yards and four TDs to give the Wildcats a victory.

COLLEGE FOOTBALL



Dale Sparks/The Associated Press

West Virginia linebacker Jason Williams (44) blocking a pass thrown by Marshall's Chad Pennington.

THIS WEEK ON EUROSPORT

Alex Zinardi of Italy is on course for his first PPG CART Championship and he become the first European to win the Championship since Nigel Mansell

Indy car:
6 - 7 September, LIVE, PPG CART World Series, Monterey, USA
Alex Zinardi will lift the crown if he can score at the Laguna Seca Raceway, one of the world's great racetracks

Cycling:
6 - 21 September, LIVE, The Tour of Spain
After one of the best races in recent memory for the Tour de France, the action switches to the equally gruelling journey through the Spanish country-side

Rowing:
4 - 7 September, LIVE, The World Championships, France
Aiguebelette Lake is the venue as France hosts the World Championships for the first time

X-treme:
1 - 6 September, The Summer X Games, San Diego, USA
The X-Games bring together all of the world's top extreme athletes in disciplines as diverse as Sky Surfing, Street Luge and Aggressive In-Line Skating



Eurosport, the No 1 sports TV channel for Europe, covering the best action from Europe and around the world, is available via cable and satellite.

WORLD ROUNDUP

British Postpone Sports Events

British sports mourned the death Sunday of Princess Diana as the day's top soccer game — Liverpool vs. Newcastle United — was postponed and other events were put off or marked by moments of silence.

The U.S. Tennis Association also decided to observe a moment's silence at the U.S. Open on Sunday, before the fourth-round match between Andre Agassi and Mark Woodforde.

The Division One match in England between Crewe and Port Vale was also postponed, as was the Scottish Premier Division game between Kilmarnock and Motherwell. The Scottish League also postponed the Monday match between Celtic and Rangers.

The England and Wales cricket boards went ahead with Sunday league matches but observed two minutes of silence at the start of every match. Northamptonshire, which was due to play Durham, ignored the cricket board's instructions and postponed its match.

"We have a lot of connections with the Spencer family and a lot of buildings around here are named after them," a spokesman said.

A motor racing festival at Silverstone in central England was also postponed, and officials at the Hamilton Park horse racing course held a minute's silence before beginning the day's racing.

Horse racing officials said the schedule would go ahead Monday as planned but said racing would be canceled on the day of the princess' funeral. *(Reuters)*

Allem Chases First Win

GOLF Fulton Allem of South Africa and David Sutherland, both seeking their first PGA Tour victories of the year, shared a one-stroke lead after Saturday's third round of the $1.3 million Greater Milwaukee Open.

Allem, who started the day three strokes back, fired a 7-under-par 64, two shots off the course record, to move to 13-under 200. Sutherland, who had been two shots back after 36 holes, shot a 65.*(AP)*

Wales Shatter Records

RUGBY UNION Wales ran 11 tries past Romania in a record-breaking 70-21 victory in Wrexham on Saturday.

It was the first Welsh international away from the national ground in Cardiff in more than 40 years. The Arms Park is being rebuilt for the 1999 World Cup.

Wales surpassed the nine tries and 55 points it scored against Japan in 1993. Arwel Thomas scored 23 points and underlined his credentials for the Welsh stand-off half position on the day that one of his predecessors, Jonathan Davies, announced his retirement. *(Reuters)*

Maradona Faces Hearing

SOCCER Diego Maradona will appear at a disciplinary hearing of the Argentine Football Association on Tuesday following his latest positive drug test. The association temporarily banned Maradona before the hearing. The final verdict will be delivered after a second test of the sample, as requested by Maradona. It is scheduled for Wednesday.

The association also notified the federal police, who apparently confirmed widespread suspicions that the drug in question might be cocaine.

Maradona has sequestered himself in a friend's apartment in Buenos Aires. Carlos Fren, an old friend who visited Maradona on Saturday, said: "Diego spent the night alone and very depressed." *(AFP)*

Ballesteros Puts Off Ryder Cup Choice

By Ian Thomsen
International Herald Tribune

The irresistible announcement was put off for another few days, but no matter — it seems more than likely that Jose Maria Olazabal and Nick Faldo will be named to the European team for next month's Ryder Cup at Valderrama, Spain.

The expected decision was postponed because of a wrist injury to Miguel Angel Martin, a Spaniard who earned the 10th and final position on the team as the yearlong qualifying race ended Sunday. Martin hasn't played since the British Open six weeks ago. Countryman Seve Ballesteros, the European team captain, has given Martin until Thursday to prove his fitness.

If Martin is able to play — and the odds are against it — then Ballesteros will have little choice but to spend his two "wild card" picks on Olazabal and Faldo, major champions both.

If Martin cannot play, then many European fans will say all the better. Olazabal, currently ranked 11th in the Ryder Cup standings, will move up to fill Martin's automatic spot. Ballesteros could then round out his 12-man team by choosing Jesper Parnevik of Sweden, who plays on the American tour. Others have been mentioned for that spot, but it will be hard for Ballesteros to overlook this year's British Open runnerup. If Parnevik were American, he would have qualified automatically for the American team based on his performance this year on the U.S. Tour.

Of the nine players certain to represent Europe from Sept. 26 to 28 at Valderrama, five were on the team that won the last Ryder Cup, in 1995 — Colin Montgomerie and Ian Woosnam of Britain, Bernhard Langer of Germany, Per-Ulrik Johansson of Sweden and the Italian Costantino Rocca.

Four of Ballesteros's players will be making their debut in golf's most intense competition — Darren Clarke and Lee Westwood of Britain, Ignacio Garrido of Spain and Thomas Bjorn, who finished eighth in the rankings to become the first Dane to play in the Ryder Cup.

These four rookies will have to play to a surprising level to beat a U.S. team of six major champions, including three from this year alone — the world No. 1 Tiger Woods, Justin Leonard and Davis Love 3d. Martin, if he becomes available, would be Europe's fifth rookie — though he might have an advantage as a Spaniard playing on a Spanish course.

The final weekend of Ryder Cup qualifying produced little of the expected drama as Robert Karlsson of Sweden won the second tournament of his career, beating Carl Watts of Britain after three holes of sudden death in the BMW International Open in Munich. Each had birdied the 72d hole to finish at the ridiculous score of 24-under par. Montgomerie was third, a stroke behind, with a 265 total.

Olazabal, who barely made the halfway cut, finished at 15-under. He retained his No. 11 position on the Ryder Cup bubble, but could not pass Martin. Olazabal made the obvious complaint that the course had failed to reward superior shotmakers on one of the most important weekends of the European season.

"At the end of the day it's more or less who makes the putts," Olazabal said. "I would rather have had a longer course and a more difficult one. We need to get to tougher courses and ones in better condition if we want to improve our quality. The Americans play on much better tests of golf. That's our goal and once we get that the whole European tour will benefit from it. We have to make a serious effort."

The Ryder Cup became interesting in 1979, when Ballesteros was among the first group of continentals invited to join British and Irish players against the dominant U.S. team. It became riveting in 1985 when the Europeans won the Ryder Cup for the first time since 1957. Europe has won or retained the Cup four of the last six times.

An important component of Europe's upset 14½-13½ victory two years ago was the pressure the Americans felt as the home team with a two-point lead on the final day of singles. That European team possessed the more dynamic leadership in Faldo, Woosnam and even Ballesteros, though by then the Spaniard couldn't find the fairway with his drives.

This year the charisma seems to have swung to the side of the Americans. No longer can Europe claim to have the best players in the world, as seemed to be true in the late 1980s and early 1990s. Faldo has played poorly this year, Langer and Woosnam were dangerous only at European Tour events, and Olazabal, the team's youngest major champion at 31, is concluding the first year of his comeback from foot problems that sidelined him for 18 months.



Reuters

Jose Maria Olazabal lining up a putt Sunday, when he shot a 67.

Venus Goes Into Orbit; Teen Looks Like a Star

The Associated Press

NEW YORK — Venus Williams avoided the trap that catches many players after a big upset and rolled into the quarterfinals of her first U.S. Open.

Williams, coming off a victory over No. 8 Anke Huber, beat 45th-ranked Joannette Kruger, 6-2, 6-3, on Sunday in another strong performance that showed off her power, poise and newfound accuracy.

Often the "unforced error kid," as Williams referred to herself, the 6-foot-1 (1.85 meter), 17-year-old is playing with the kind of control that can make

U.S. OPEN TENNIS

her dangerous against anyone. She didn't suffer a letdown, as might have been expected after beating someone like Huber, and came out pumped.

"I just feel I can make any shot on the court," said Williams, ranked No. 66 in the world and moving up fast. "I always felt that way. I always felt I could beat the men players. My parents had to convince me that I couldn't."

The way Williams handled herself on the court, the way she smiled on changeovers, intimidated Kruger and left her awed.

"I think it's great when somebody that age can have that confidence. I never had it," said Kruger, a South African who will be 24 Wednesday. "I don't know where she gets it, but she has it.

"I think maybe she was taught from a young age that she's going to be great. She has performed tremendous for the amount of matches she's had."

Williams broke Kruger in the first game of the match, then cruised through the first set in 27 minutes while serving at up to 113 miles an hour (182 kph). The second set went almost as smoothly as Williams broke Kruger twice to open a 3-0 lead.

In a match that blended baseline rallies with frequent net attacks, Williams was both more aggressive in going for winners and less prone to mistakes. She hit three fewer errors than Kruger's 30, and drilled 21 winners to Kruger's 10. Williams also won nine of 10 points on her approaches to the net, while Kruger converted 10 of 17.

Until this tournament, Williams's style had been mostly a repeated pounding of balls on every point. Players got used to that, and Williams frequently broke down with errors.

"I realized I have to mix it up, take some pace off," she said. "A lot of other times in the past, I would have nailed a return in the match. I just learned a lot in this tournament."

Williams nearly didn't come to the Open because her father-coach, Richard, who has tried to restrict her schedule, was against it.

"I wasn't going to play the Open until four days before," she said. "My dad wouldn't let me. But I finally convinced him."

What changed his mind?

"A little bargaining," she said. "It was hardball. I'm glad I got a chance to play, and I think my dad is, too."

Monica Seles, the No. 2 seed, won only one game in the first set against Mary Pierce of France, the No. 9 seed, but fought back to win, 1-6, 6-2, 6-2. Sandrine Testud of France beat Karina Habsudova of Slovakia, 6-3, 4-6, 7-6 (7-1).

Cedric Pioline of France ended the unlikely run of Leander Paes, outlasting the 110th-ranked Indian, 3-6, 7-6 (7-5), 1-6, 6-3, 6-4, in a third-round match. Paes saved sixth match points in the marathon, which lasted more than three hours.

Pioline broke Paes to open the fifth set. Paes broke back in the eighth game, taking the game with a forehand service return winner that prompted a dance in celebration. In the ninth, Paes saved five match points on his own serve, the first two with aces, the next with an overhead smash, the fourth when Pioline sent a forehand long and the fifth with a forehand winner.

Patrick Rafter, the 13th-seeded Australian, brushed aside Frenchman Lionel Roux, 6-1, 6-1, 6-2, in less than an hour and half on the old Stadium Court. "I wasn't really in the match," Roux said.

Rafter has not yet dropped a set, sending Andrei Medvedev, Magnus Norman and Roux to shockingly swift defeats.

"I'm playing against world class players and having results like that, I am surprised," Rafter said.

His last two matches have each lasted less than 90 minutes.

"The last two matches have been fantastic," Rafter said. "Everything has been flowing. The serve flowed, returns, approaches."

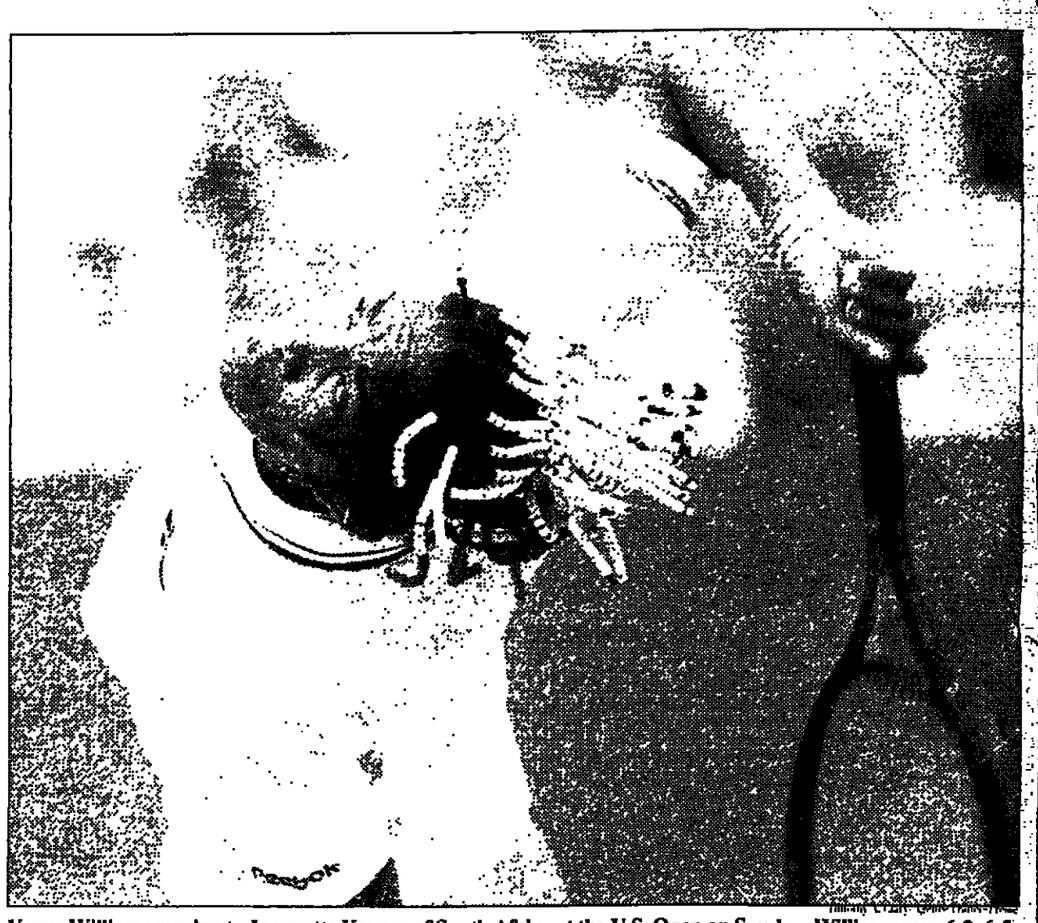
Everything, however, begins with Rafter's serve. He handcuffed the Frenchman with it as he has to all his foes here so far.

The strapping 6-foot, 1-inch (1.85-meter) right-hander dropped his serve against Roux just once, marking only the second time in the tournament that he has been broken.

"He didn't give me a lot of chances to return," Roux said of the 24-year-old Rafter. "He mixed it up to the backhand, forehand, down the middle. It was very difficult for me to see where he's going to serve."

Rafter is the lone seed left in his quarter of the draw. His next opponent will be either his Davis Cup teammate Mark Woodforde or Andre Agassi.

"I'm not expecting to go and breeze through these guys," Rafter said. *(AP, AFP, Reuters)*



Tommy Trenchard/Sports Illustrated

Venus Williams serving to Joannette Kruger of South Africa at the U.S. Open on Sunday. Williams won 6-2, 6-3.

Philippoussis Serves 25 Aces, but Loses

By Robin Finn
New York Times Service

Day 6 of the U.S. Open brought another disappointing Grand Slam finish for Mark Philippoussis, as well as for a pair of Spaniards who had carried high hopes into the tournament.

Philippoussis, seeded 14th and considered a dark horse for this champi-

Sampras and Hingis win. Page 30

onship, could not save himself in the third round Saturday, even with his 25 aces. The Australian, who has yet to reach a Grand Slam quarterfinal despite owning the world's most powerful serve, lost, 7-6 (7-4), 7-5, 6-2, to 83d-ranked Daniel Vacek, a Czech-born resident of Nick Bollettieri's Florida tennis think tank.

Joining Philippoussis on the sidelines was Conchita Martinez, who reached the Open semifinals in both 1995 and 1996. But Saturday, hampered by a bad back that was exacerbated by a baleful altitude, the seventh-seeded Martinez was thumped, 6-2, 7-5, by 100th-ranked Rachel McQuillan.

"By her playing a great match and me not being out there 100 percent, that helped her win," said Martinez, who suspects she has a disk problem.

Alex Corretja, another Spaniard, did not get the chance to repeat his memorable performance in last year's Open, in which he blundered away his own match point and gave away a match point on a double fault to a nauseated Pete Sampras in their epic quarterfinal. The match, though it devastated the unseeded Corretja that day, inspired him to turn himself into a sixth-seeded contender who expected to play last year's Wimbledon champion, Richard Krajicek, at Arthur Ashe Stadium on Saturday.

But because of the reappearance of a thigh injury, Corretja never played a minute of their third-round match. He tried to practice Saturday morning, realized he was virtually immobile and bailed out of the match before it began.

"There was no way to play, because I couldn't move at all," said Corretja, who had never before defaulted from a match before it had begun and could not think of a worse place to have it happen.

"Last year even when I had match point I never thought I could win a Grand Slam," he said. "This year I came here thinking about going step by step, so I feel even worse than last year. I was waiting for this moment for a long time."

One Spaniard faring better is Arantxa Sanchez Vicario, who won the Open in 1994 but has been trying to recapture a winning Grand Slam sensation ever since. Overshadowed by teenagers with bigger swings, Sanchez Vicario has vowed to keep chugging away.

"If the attention is on the other players, that takes the pressure off me and I can sneak around and keep winning," Sanchez Vicario said after moving into the round of 16 with a 6-2, 6-1 victory against Alexandra Fusai of France.

Another victorious Spaniard was 49th-ranked Magui Serna, who upset 16th-seeded Kimberly Po, 6-4, 6-3. Po has never passed the Open's third round in seven visits, but Serna, a hard-hitting 18-year-old from Barcelona, did it on her first try.



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